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Foreword

In the 1980's an astoundingly competitive system for producing products emerged from an unlikely source. Toyota, a Japanese car manufacturer with a previously poor reputation for quality and customer value, began producing exceptionally reliable cars at very competitive prices. Borrowing a management philosophy from American quality guru, W. Edwards Deming, and production techniques from Henry Ford and others, Toyota evolved its own unique system for driving waste out of every process in order to produce products with high customer value.

They dubbed it TPS-Toyota Production System. In the several decades that have followed, Toyota's incredible success in the marketplace has been all the more striking in contrast to its major competitors whose fortunes have plummeted in the same timeframe. In the 1950's, a Ford production employee could produce eight cars for every one made by Toyota. Today, the tables have turned. A small Japanese company facing extinction fifty years ago is now officially the world's largest auto manufacturer. In the 1990's a new term "Lean" was dubbed to replace the negative connotations of TPS, namely that it was a Japanese method and that it was only for production.

Today, however, the term Lean has developed its own unintended meanings, like down-sizing the workforce and outsourcing jobs to lower wage locales (e.g., LEAN = *Less Employees Are Needed*), or leveraging and squeezing suppliers. Regrettably forty years after the introduction of Toyota's powerful system, most businesses continue to misunderstand it, applying it piecemeal without understanding. To most companies, Lean is thought to be a cost-cutting tool.

GBMP is non-profit corporation committed to *keeping jobs in the US* through both bottom and *top*-line improvement. We believe that US manufacturers and service providers can successfully apply the Toyota system and receive its full competitive and financial benefits, if they will take time to understand more than just its technical aspect. If Toyota can apply its system in the US, why not other providers? What the last four decades have taught us is that copying Toyota's methods without careful consideration of their *whole* system will produce short-lived and even negative outcomes. This learning package is designed to present the *whole* system in a learn-and-do format to help companies deploy the system and receive its full benefits.

We have coined the acronym "e² Continuous Improvement System" to mean **Everybody, Everyday Continuous Improvement System** since the hidden power of TPS is based not on tools and techniques but on unlocking human intellect and creativity at every point in the process, and establishing collaborative relationships between management and workers, between departments, and between customers and suppliers.

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Excerpt from Lesson 4

Planning and Deployment

Management kaizen is the work of management and managers to drive understanding of why the status quo must be attacked and improvements made within an organization. Effective management kaizen generates a genuine passion for change across the entity and focuses on creating a population of lean implementers, one that is aligned to achieve clear business targets. **Policy Deployment is the e² best practice that gives management an effective mechanism to insure all improvement activities are coordinated and directed toward the most important critical business activities and goals.** It is the means for insuring that continuous improvement is not just being done for the sake of doing it.



方針

Hoshin = “Shining metal pointing direction”

管理

Kanri = management, or policy

Sometimes referred to as Hoshin Planning or Hoshin Kanri, **policy deployment is a strategic planning process that is based upon the Plan-Do-Check-Act improvement cycle. It is used to communicate company policy to everyone in the organization and to focus and prioritize operational activities. It provides a standardized system for outlining business expectations, requires the creation and communication of supporting plans for improvement, and insures management and employees conduct regular performance checks and make adjustments as needed to meet objectives.**



Hoshin Kanri Process

1. Select theme for Improvement.
2. Set Strategic Objectives
3. Establish Tactical Priorities
4. Identify Means
5. Create Improvement Plans
6. Measure Outcomes

Policy deployment insures everyone in the organization knows the direction that the company needs to head in, cascades that vision throughout all levels and functions, and provides a framework for translating direction and vision into specific, actionable

activities that will propel the organization in the right direction, True North. It allows companies to narrow the focus to only those few activities that will generate meaningful results. The visual on the prior page outlines the six-step process for Policy Deployment. This lesson will provide further detail about each of the steps and also demonstrate how an X-matrix can be an effective tool for organizing and sharing policy deployment efforts.

Now let's spend some time on the six-step Hoshin Kanri process shown in the picture on the prior page. This detail is provided as a pathway to help you develop well-aligned improvement plans.

It is often useful to begin the policy deployment process by developing an improvement theme. For example, a company that wishes to grow revenue might suggest a theme such as "20 by 12", referring to achieving \$20 million in sales revenues by 2012. With this theme and end in mind, they can set out related objectives. In other words, "what do we need to do over the next three years to reach our goal?" **Through development of the theme and objectives, the organization should be creating a focus for all affected employees, or what W. Edwards Deming referred to as "constancy of purpose" in the business. In the first point of his famous "14 Points" business philosophy, Deming outlines the need to "create constancy of purpose for continual improvement of products and service to society, allocating resources to provide for long range needs rather than only short term profitability, with a plan to become competitive, to stay in business, and to provide jobs."** Does this sound a lot like e² thinking? It should!



Objectives should be few and specific in nature. Objectives will likely be the things that need to change to achieve the theme. For our theme of "20 by 12", objectives might be the following:

1. 15% sales growth per year
2. Increase Sales/employee by 10% per year
3. 100% on-time delivery to request date by end of 2010

Can you see that the objectives are focused on growth, as well as cost and customer satisfaction? They are the specific points on the horizon to focus on reaching, and will require fundamental changes in how business is conducted in order to reach them. **A tip about setting objectives: think about the levels of quality, cost, lead-time and customer flexibility what will be necessary to fulfill the theme. Often this activity will stimulate the kinds of discussion that can lead to appropriate objectives.**

Excerpt: Practice Exercise Lesson 2



DVD Lesson – “Moments of Truth”

Employees and management are practiced in their traditional roles, and changing these roles is not easy. This DVD lesson focuses on the critical role that managers and supervisors play in establishing new roles that support e². Play the DVD now.

Group Discussion

Discuss the chain of support for e² in your business. Is there a clear path for improvement or is improvement localized? How can employee participation be encouraged in your business?

Practice Exercise



1. Can you articulate in a few sentences why e² is important to your company? Write a short ‘sales pitch’ to employees, one paragraph at most.
2. Have you benchmarked personally with e²-minded companies in your area that are a little further along on the journey? Try to find a manager or executive from one of these plants to be your personal mentor.
3. How do you score in the volition category? Do you show a passionate commitment or do you tend to be hands off? If the latter, list a few specific steps that you can take to demonstrate personal volition.

Gauge Your Learning



Test your learning from Lesson 2. The on-line assistant is not a test, but is designed to give you confidence that you’ve understood the key points of each e² lesson

For more information or to order the e² Continuous Improvement System,
please visit:

www.gbmp.org

or

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