LEAN COMPLIANCE

#38

ELEVATE COMPLIANCE HUDDLE

Elevating Compliance to Higher Standards



1. Welcome
2. Look Forward
3. Principles-to-Practice
4. Discussion

MONDAYS @ NOON ON ZOOM

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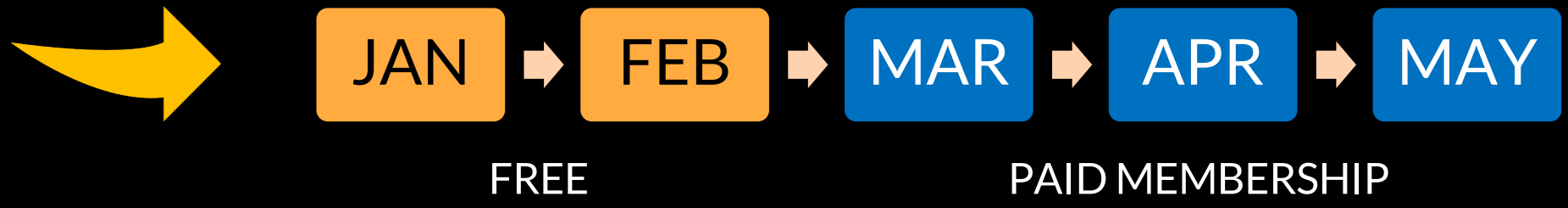
LOOK FORWARD

Upcoming Elevate Compliance Huddles

Today	Hoshin Kanri - Policy Management
Jan 27	Compliance Pillars
Feb 3	Compliance Dependencies



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PRINCIPLES TO PRACTICE



Hoshin Kanri - Policy Management

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PRINCIPLES TO PRACTICE

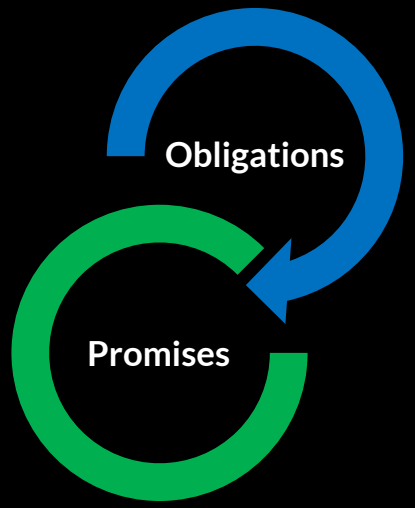
Direction / Compass Management, Policy Management, and Promise Theory

方針管理

hoshin
Direction

kanri
management, control

+



POLICY **MANAGEMENT** **PROMISE THEORY**

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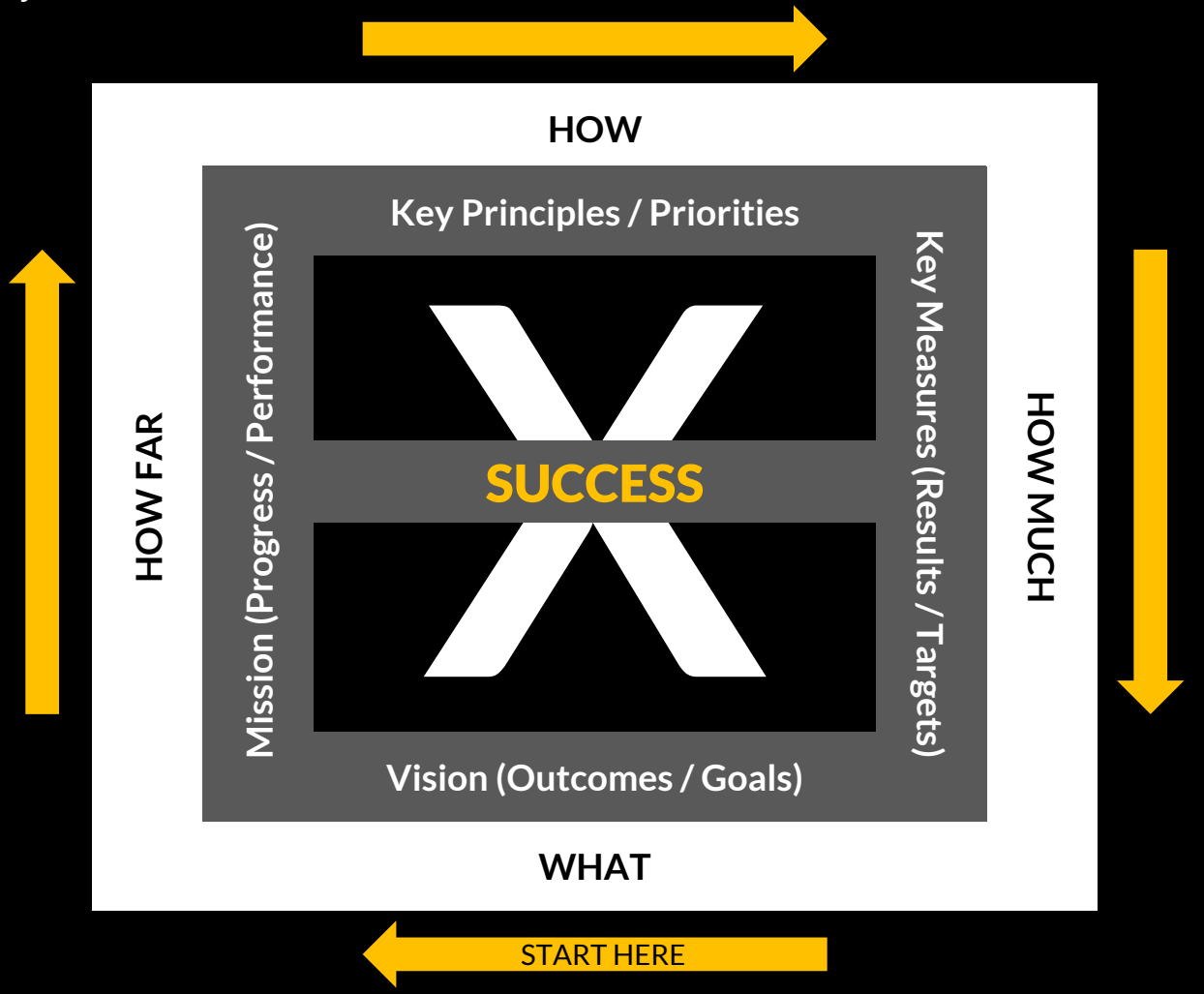
PRINCIPLES TO PRACTICE

Translating Organizational Outcomes into Operational Objectives

COMPLIANCE COMPASS NAVIGATION

- **Territory** – Compliance Domain
- **Map / Model** – Operational Compliance Model
- **True North** – Integrity (Keeping Promises)
- **Compass** – Aligns Organizational Values (Obligations) with Operational Objectives (Promises)
- **Route** – Compliance Improvement Plan



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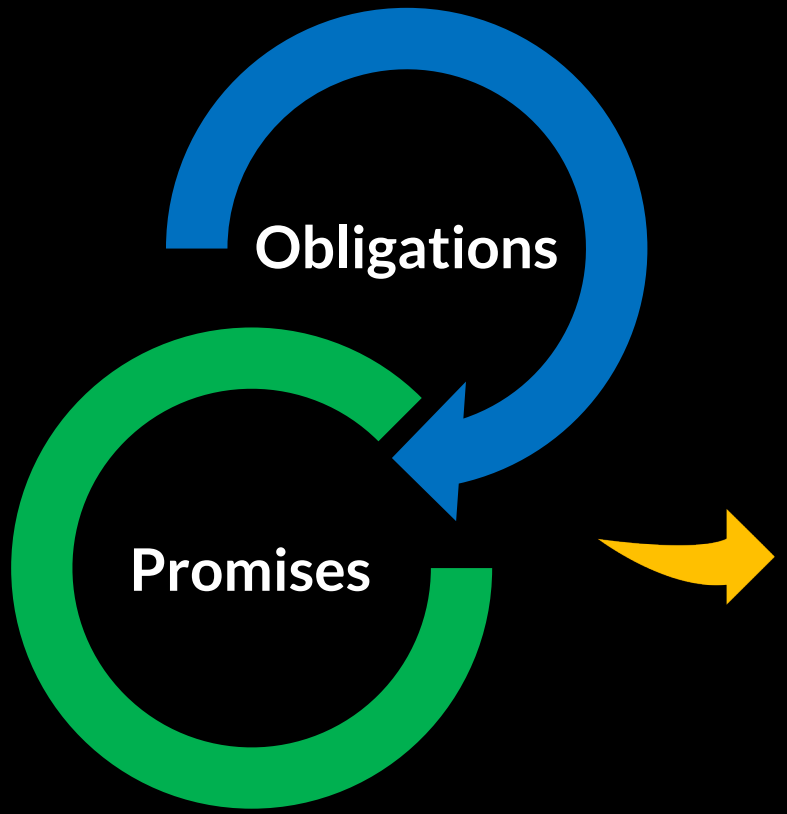
PRINCIPLES TO PRACTICE

Policies are a set of Promises



- Promises are commitments we make to meet obligations.
- A set of promises is called a Policy.

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PRINCIPLES TO PRACTICE

Promise Theory

IMPOSITIONS

Clean up your room every week

- *Obligation applied to others*
- *Tells how to behave or follow a certain recipe*
- *Diverges into unpredictable outcomes*
- *Top-down / Push strategy*

WHAT and HOW FAR

PROMISE

I promise to pick up everything off the floor and put them away by Friday of each week

- *Commitment applied to yourself*
- *Defines an end state or outcome*
- *Converges towards an intended outcome*
- *Bottom-up / Participative strategy*

HOW and HOW MUCH



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Protecting and Ensuring Total Value Creation

LEAN TCM (TOTAL COMPLIANCE MANAGEMENT)

LEAN COMPLIANCE

OUTCOMES (Total Value)

PRINCIPLES (Priorities)

ASSURANCE (Certainty)

LEAN COMPLIANCE OPERATIONAL MODEL

- OPERATIONAL GOVERNANCE
- OPERATIONAL PROGRAMS
- OPERATIONAL SYSTEMS
- OPERATIONAL PROCESSES

PROMISE FULFILLMENT (HOSHIN KANRI + PROMISE THEORY)

- POLICY INPUTS
- POLICY DEVELOPMENT
- POLICY DEPLOYMENT
- POLICY IMPLEMENTATION

COMPLIANCE MANAGEMENT SYSTEMS STANDARD (ISO 32701)

- CONTEXT
- LEADERSHIP
- PLANNING
- SUPPORT
- OPERATION
- PERFORMANCE
- IMPROVEMENT

COMPLIANCE SYSTEMS & PROCESSES

- MANAGED OBLIGATIONS
- MANAGED PROMISES
- MANAGED BEHAVIOUR
- MANAGED OPERABILTY
- MANAGED CONTROLS
- MANAGED IMPROVEMENT
- MANAGED OWNERSHIP
- MANAGED CULTURE
- MANAGED GOVERNANCE
- MANAGED RISK
- MANAGED MEASURES
- MANAGED TECHNOLOGY

PILLARS (Capabilities)

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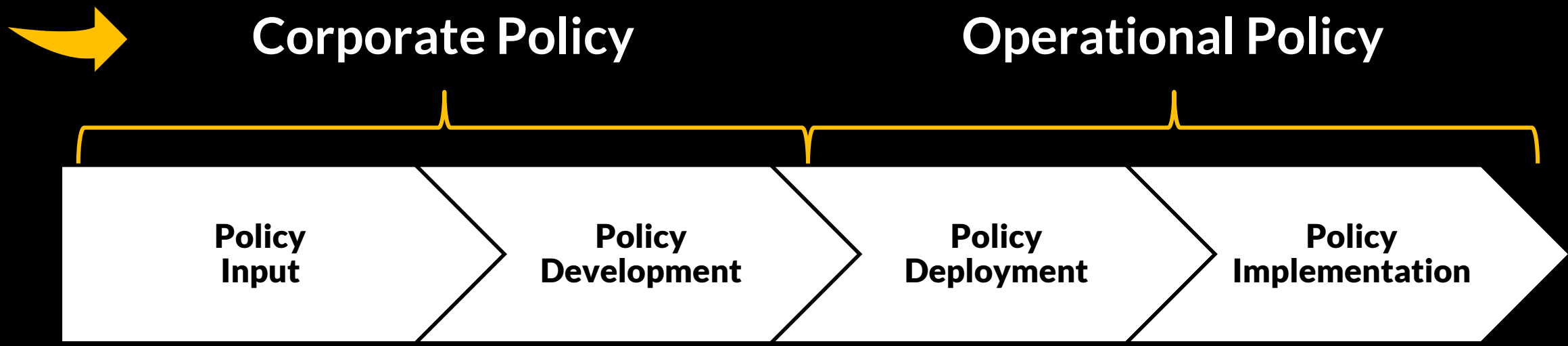
PRINCIPLES TO PRACTICE

Four stages of policy management (Hoshin Kanri)



- Policy is a set of promises or commitments made to meet compliance obligations (mandatory or voluntary impositions).
- Promises are always voluntary and define who, how, and how much of an obligation will be met.

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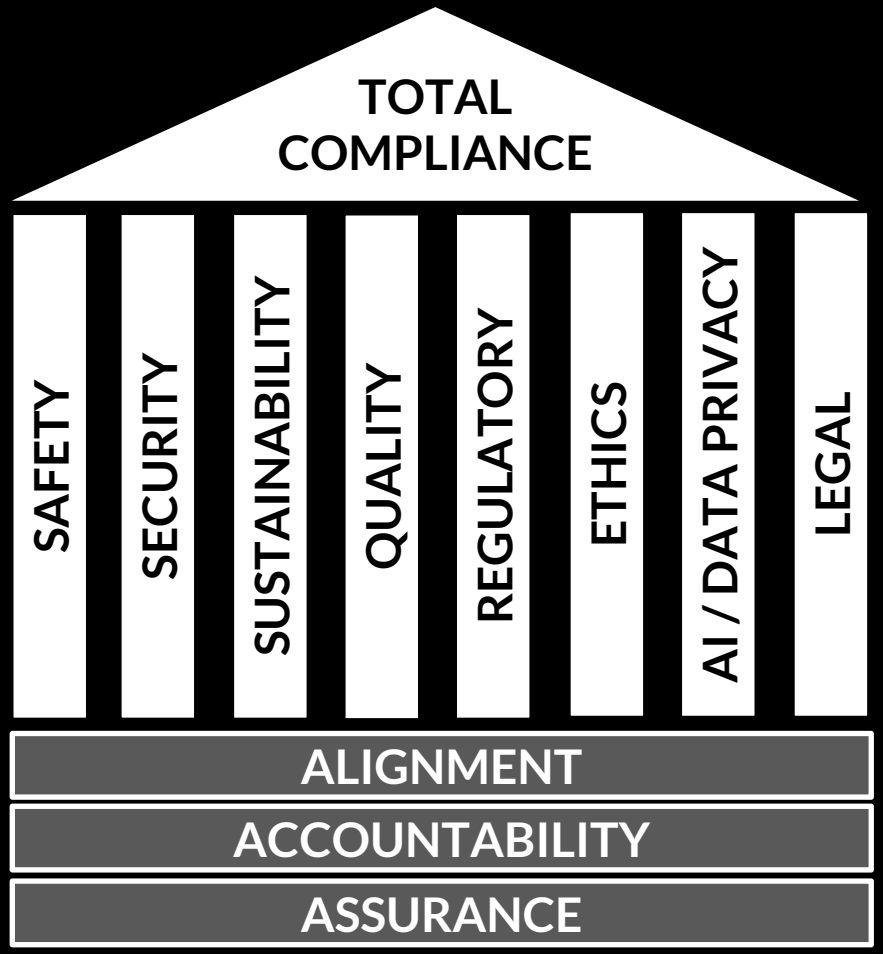
PRINCIPLES TO PRACTICE

Hoshin Kanri for Compliance: Turning Compliance Siloes into Pillars



Hoshin Kanri is an integrative process to advance towards a shared vision by translating organizational outcomes to operational objectives.

Turns Siloes into Pillars

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PRINCIPLES TO PRACTICE

What problem does Hoshin Kanri solve?



Figure 3. Comparison between the extremes of management style (**Source**: Hutchins, 2008).

1. **Misalignment between strategy and execution**: many organizations struggle to effectively translate their high-level strategic goals into actionable plans at the operational level.
2. **Lack of focus and prioritization:** without clear direction, organizations often waste resources on low-impact projects.
3. **Poor communication and collaboration:** silos between departments can hinder progress and lead to inefficiencies.
4. **Ineffective problem-solving:** without a structured approach, problem-solving efforts can be reactive and ineffective.

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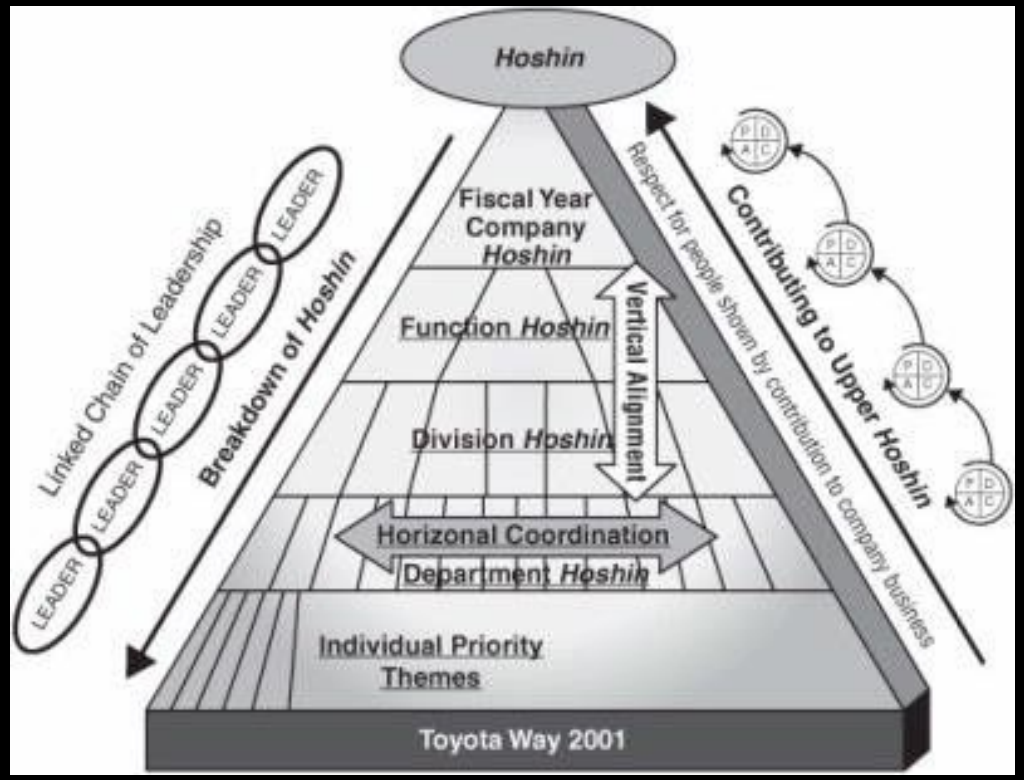
PRINCIPLES TO PRACTICE

How does Hoshin Kanri solve these problems?



1. **Establishes a clear link between high-level strategic goals and actionable plans** at the operational level. It ensures that everyone in the organization understands how their work contributes to the overall objectives.
2. **Promotes focus by identifying and prioritizing a limited number of key objectives (Hoshin).** This prevents organizations from spreading resources too thin and ensures that efforts are concentrated on what matters most.
3. **Encourages cross-functional collaboration** through a process called "catchball." This involves open communication and feedback between different levels of the organization to align goals and develop effective action plans.
4. **Provides a structured approach to problem-solving** through the Plan-Do-Check-Act (PDCA) cycle. This iterative process helps organizations identify and address root causes of issues, leading to more effective and sustainable solutions.

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PRINCIPLES TO PRACTICE

Hoshin Kanri 7-Step Process

1. Establish the Vision and Assess the Current State

- *Define the organization's mission, vision, and values.*
- *Conduct a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) to understand the current situation.*

2. Develop Breakthrough Objectives

- *Identify 3 to 5-year goals that will significantly impact the organization.*
- *These goals should be ambitious and challenging but achievable.*

3. Define Annual Objectives

- *Break down the breakthrough objectives into achievable annual goals.*
- *These goals should be specific, measurable, attainable, relevant, and time-bound (SMART).*

4. Cascade Goals Throughout the Organization (Catchball)

- *Involve all levels of the organization in the goal-setting process.*
- *Ensure that everyone understands the company's vision and how their role contributes to it.*

5. **Execute Annual Objectives**

- *Develop action plans and assign responsibilities for each annual objective.*
- *Allocate necessary resources and support.*

6. Monthly Reviews

- *Regularly assess progress towards annual objectives.*
- *Identify any obstacles and develop countermeasures.*

7. Annual Review

- *Evaluate the overall performance of the organization against the breakthrough objectives.*
- *Learn from successes and failures to improve future planning.*

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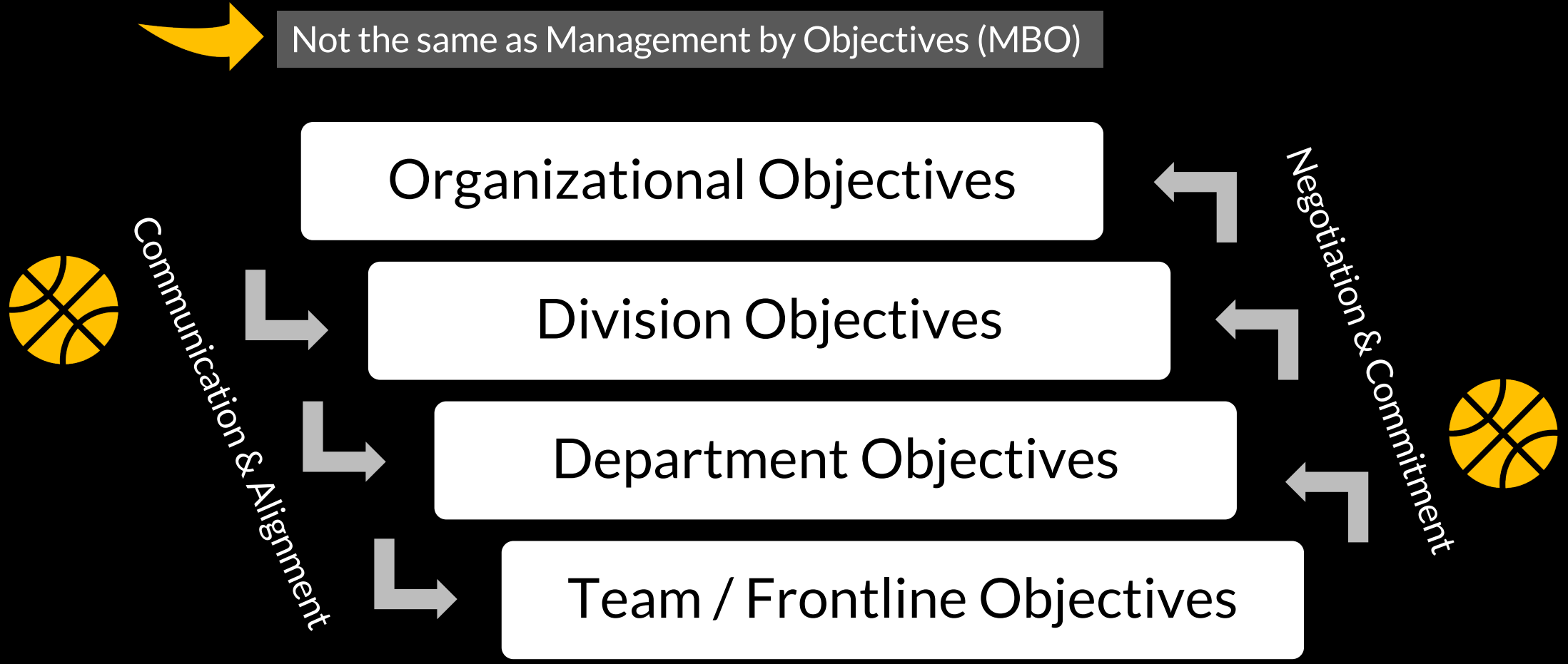
PRINCIPLES TO PRACTICE

Catchball Process – cascading the x-matrix up and down, and across the organization

Not the same as Management by Objectives (MBO)



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PRINCIPLES TO PRACTICE

Hoshin Kanri - Catch-ball (Participatory process, Feed Forward / Feed Back)

UPPER MANAGEMENT

OBLIGATIONS

- Shared Vision
- Invitation
- Ownership
- Negotiate
- Respect

ORGANIZATIONAL BARRIER

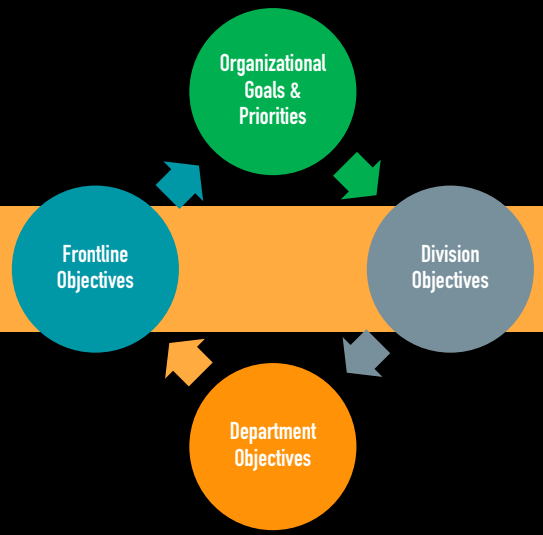
PROMISES

- Voluntary
- Participatory
- Agency
- Risk-based
- Continuous Improvement

LOWER MANAGEMENT

Hoshin Kanri

Policy Deployment



Catchball

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Policy Management Process Diagram

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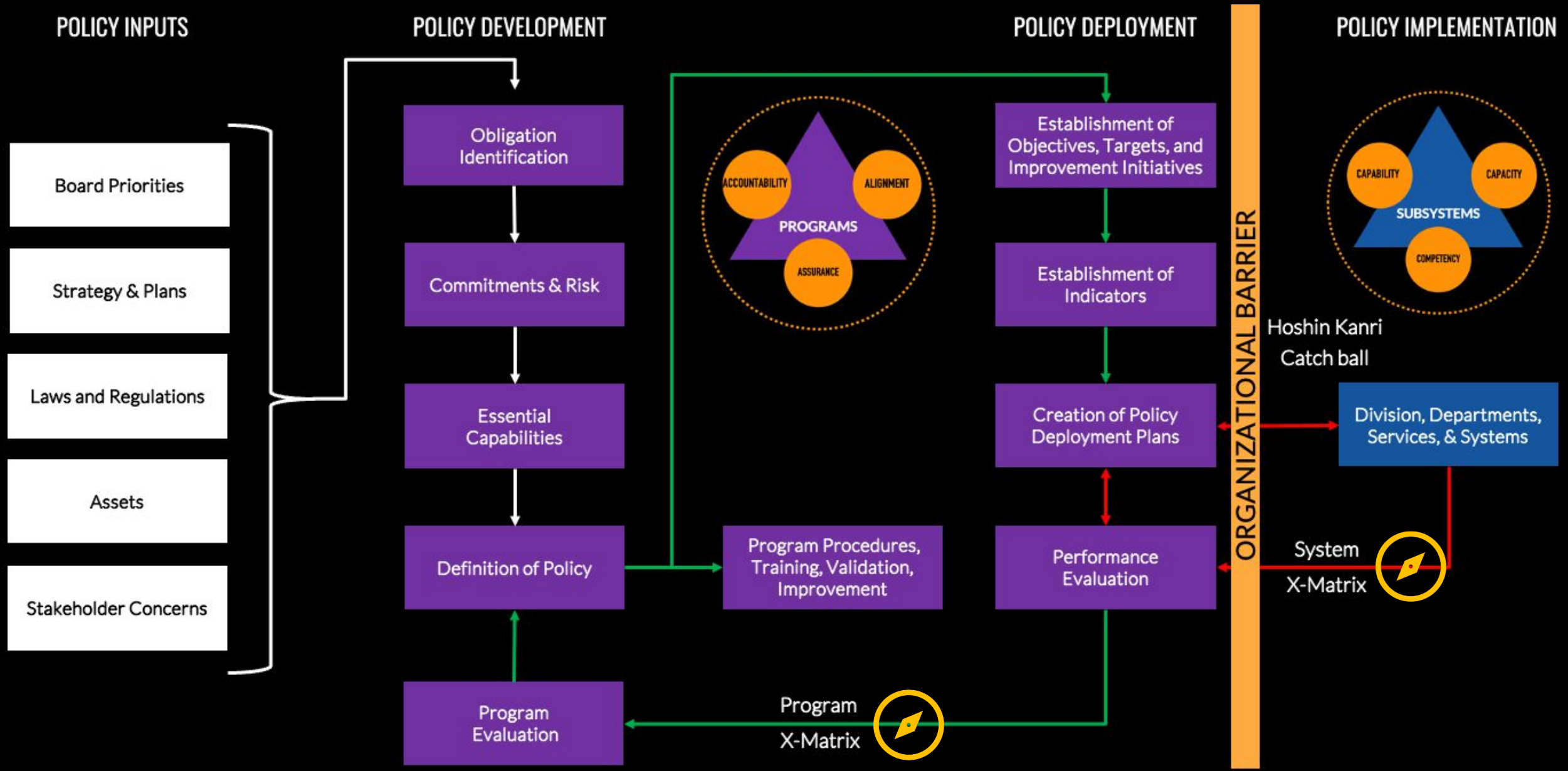

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Hoshin Kanri for Compliance: 7-Step Process

Leadership Commitment: Start by securing commitment from top leadership. Without their buy-in, it's challenging to drive organizational change.

Education and Training: Provide training and education on Hoshin Kanri principles and methodologies to all levels of the organization.

Program Policy Development: Develop clear and concise operational policies that align with your strategic direction and organizational obligations.

Policy Deployment Plans: Create detailed PDPs that outline responsibilities, timelines, and metrics for each promise.

Catch-ball Process: Implement the Catch-ball process to negotiate and define Functional PDPs with those responsible and accountable.

Monitoring and Feedback: Continuously monitor progress using KPIs and gather feedback to make necessary adjustments.

Continuous Improvement: Encourage a culture of continuous improvement, where the organization learns from its successes and failures.

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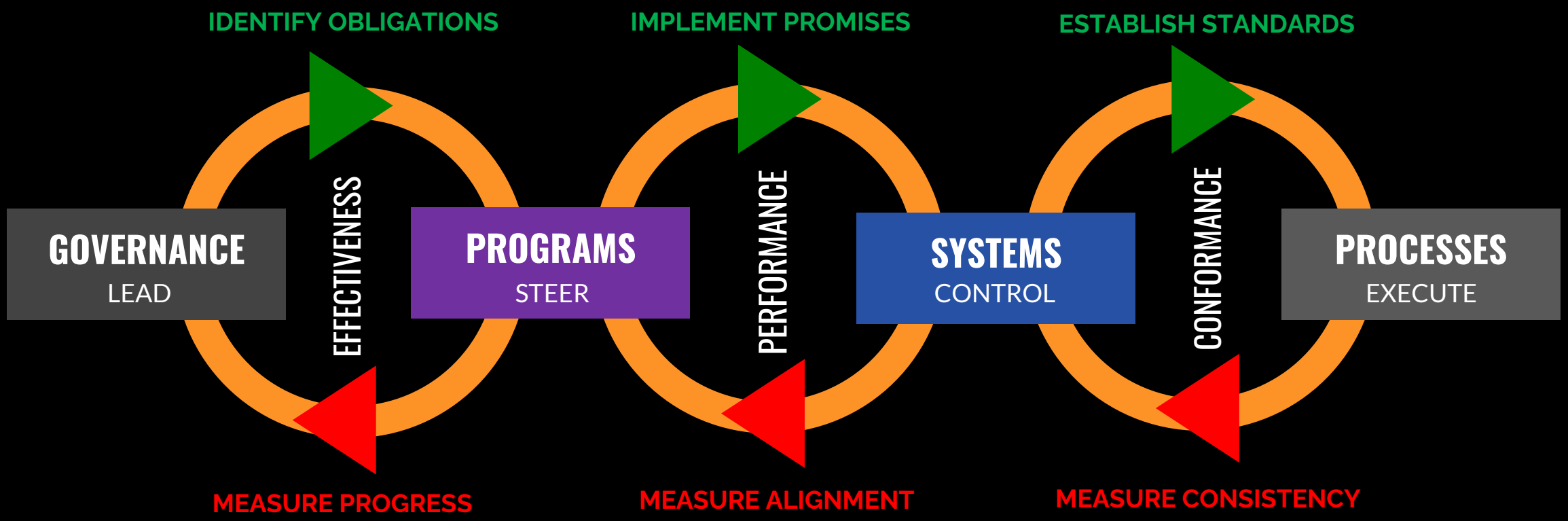
PRINCIPLES TO PRACTICE

Operational Compliance Model – The vehicle that deliver promises that satisfy obligations in the presence of uncertainty

FEED-FORWARD

LEADING INDICATORS AND ACTIONS



LAGGING INDICATORS AND ACTIONS

FEED-BACK

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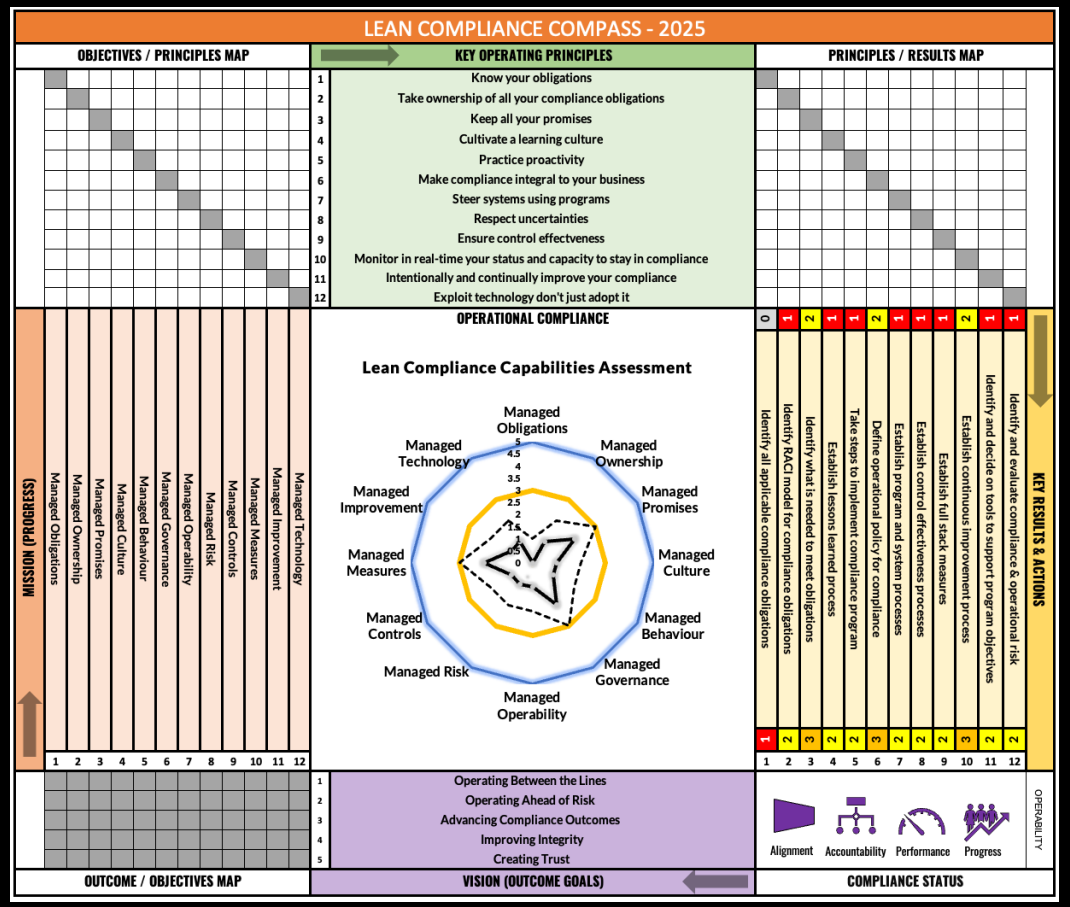
PRINCIPLES TO PRACTICE

The Lean Compliance Compass - 2025



- Designed for Compliance Operability
- Incorporates 12 Principles of Operational Compliance, and 12 Essential Compliance Capabilities
- Compatible with ISO 37301 Compliance Management Systems Standard and other Management Frameworks

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Improving your probability of compliance success in 2025



1. What are your key takeaways from today's session?
2. How well are you achieving alignment, accountability, and assurance of meeting all your obligations?
3. What steps could you take to improve?

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