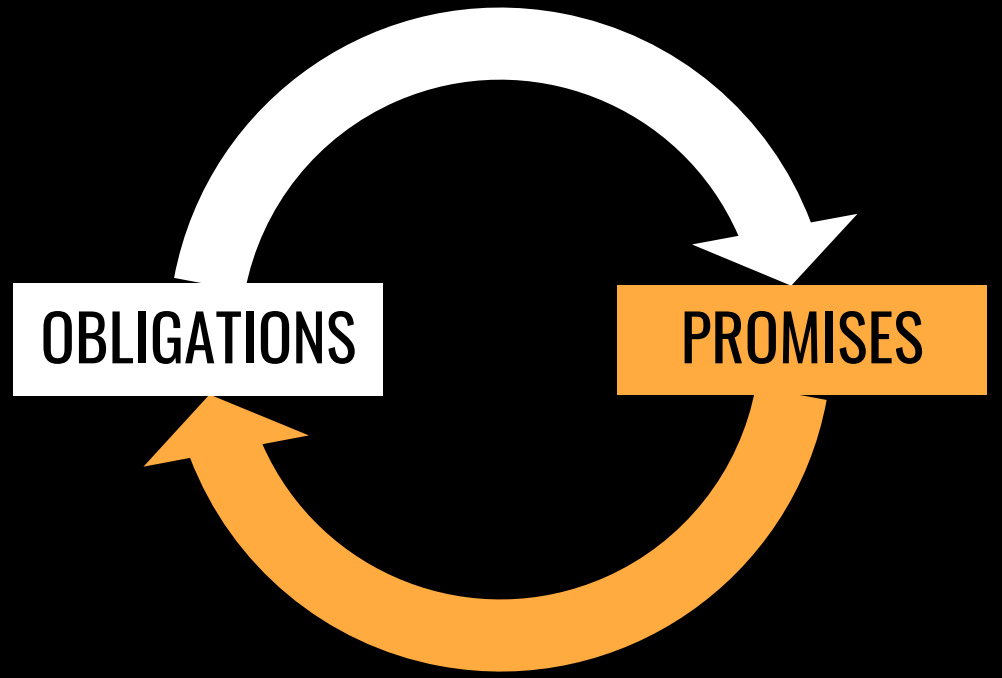
LEAN COMPLIANCE

ELEVATE COMPLIANCE BY OPERATIONALIZING OBLIGATIONS

ELEVATE COMPLIANCE WEBINARS

Raimund Laqua, PMP, P.Eng
ray.laqua@leancompliance.ca



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Register



Thu, Jul 25
Elevate Compliance by Operationalizing Obligations / Free Online Webinar

Register



Thu, Aug 29
AI Governance and Guardrails / Free Online Webinar

Register

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- Access to Exclusive Articles
- Access to Exclusive Resources
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Elevate Your Expertise

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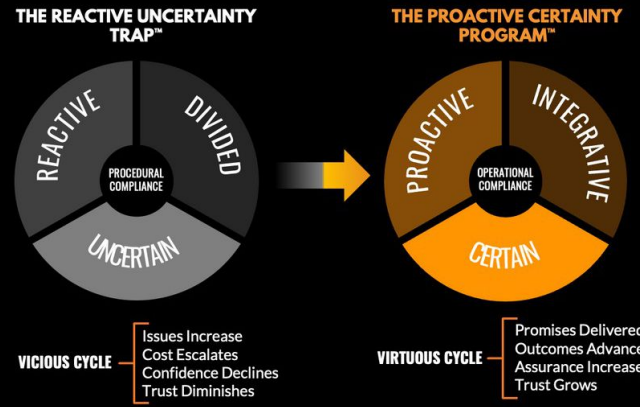
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VICIOUS CYCLE
- Issues Increase
- Cost Escalates
- Confidence Declines
- Trust Diminishes

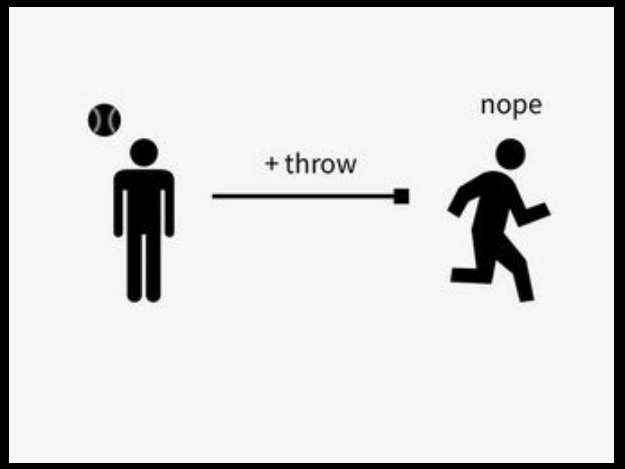
VIRTUOUS CYCLE
- Promises Delivered
- Outcomes Advanced
- Assurance Increases
- Trust Grows

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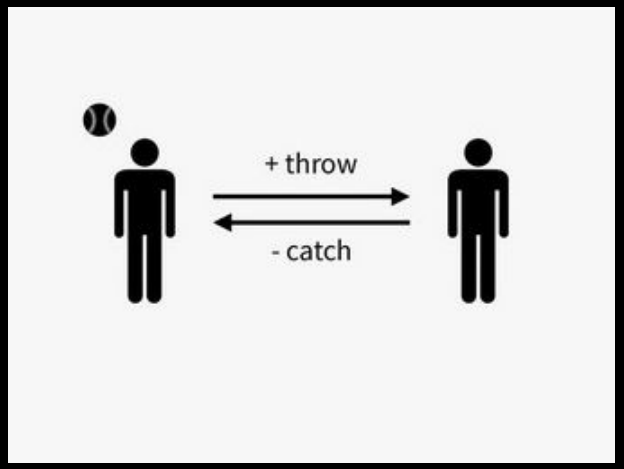
BIG IDEA

We don't need compliance to teach operations to be compliant, we need operations to teach compliance to be operational.

Obligation without a Promise



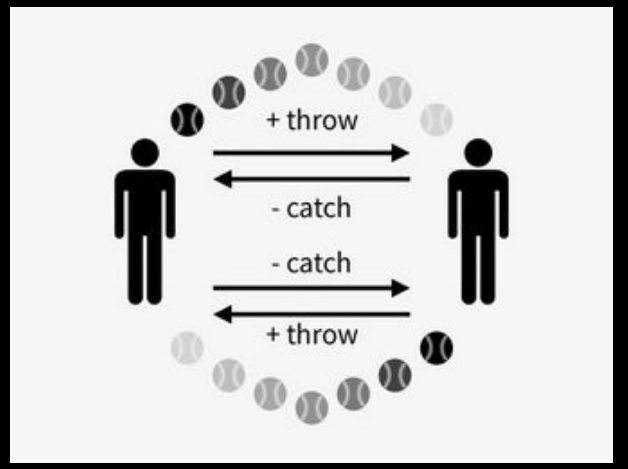
Policy Push



Obligation with mandatory Promise

Policy Conformance

Obligations with voluntary Promise



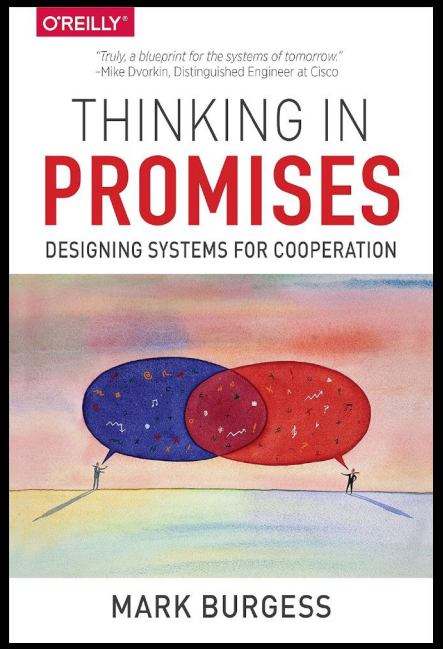
Policy Alignment

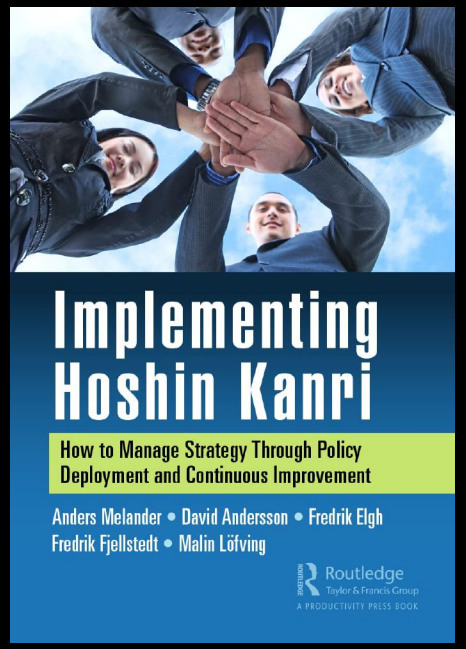
Hoshin Kanri – Policy Deployment Methodology for Compliance

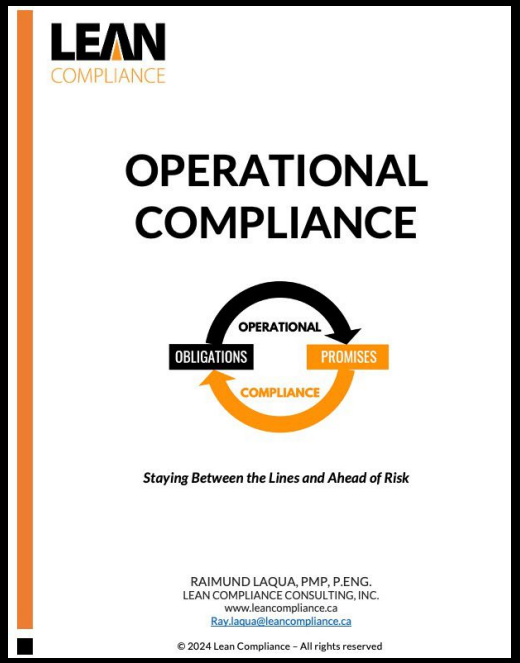
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BIG IDEA

Operationalizing obligations is a process that aligns obligations with promises







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LEAN COMPLIANCE

OUTLINE

What we will cover today

1. Obligations and Promises
2. Organizational Challenges
3. Introduction to Hoshin Kanri
4. Using Hoshin Kanri for Compliance

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LEAN COMPLIANCE

1. OBLIGATIONS AND PROMISES

Promises are operationalized obligations

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OBLIGATIONS AND PROMISES

Obligations arise from three different motivations

OBLIGATIONS



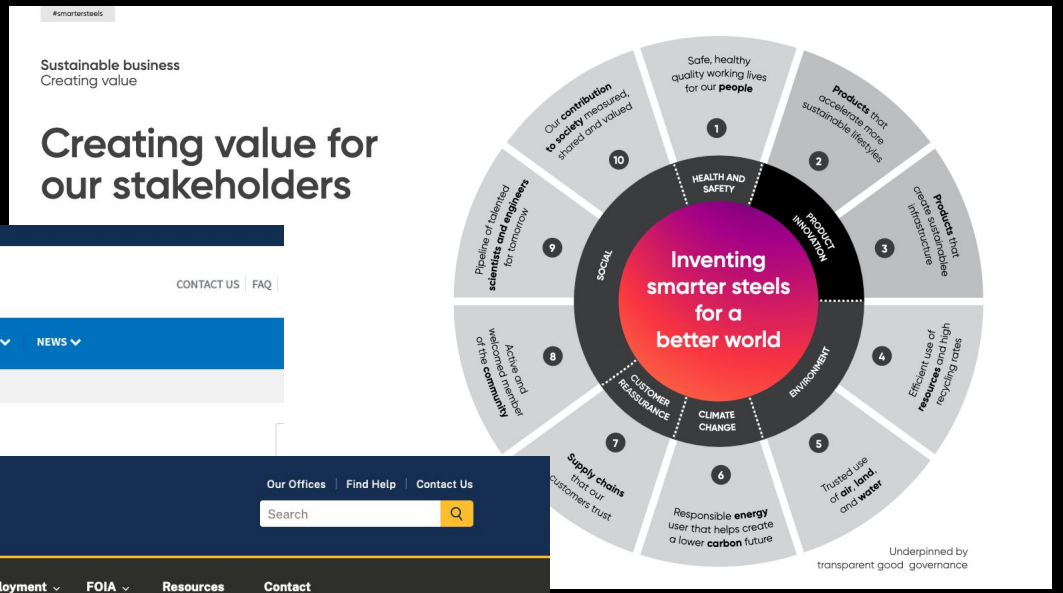
Compliance is the outcome of meeting all our obligations

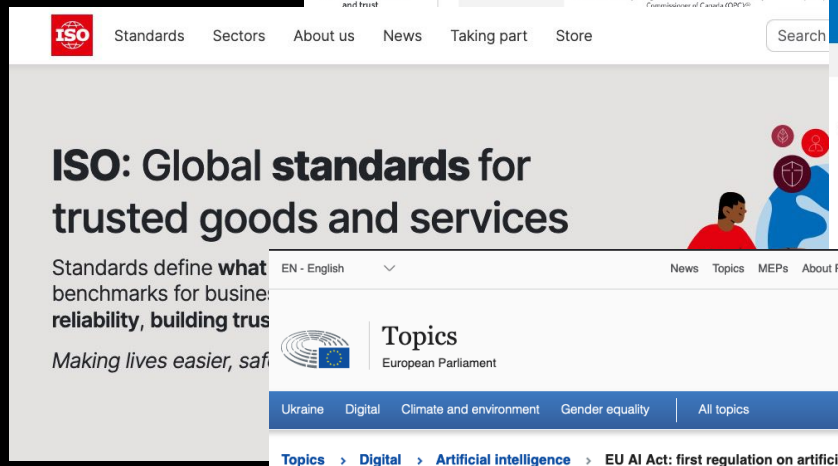
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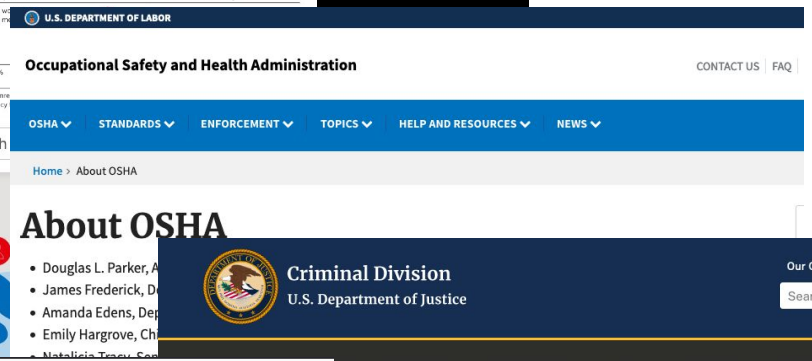
OBLIGATIONS AND PROMISES

Obligations can be found everywhere

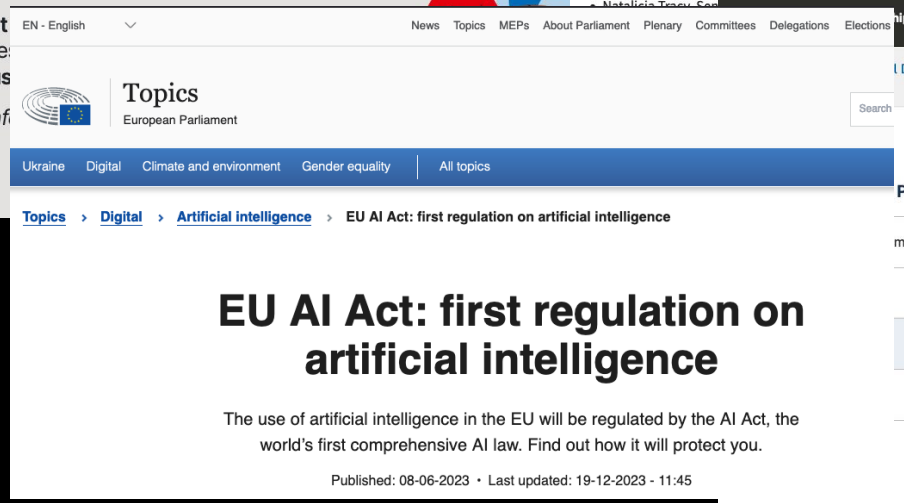












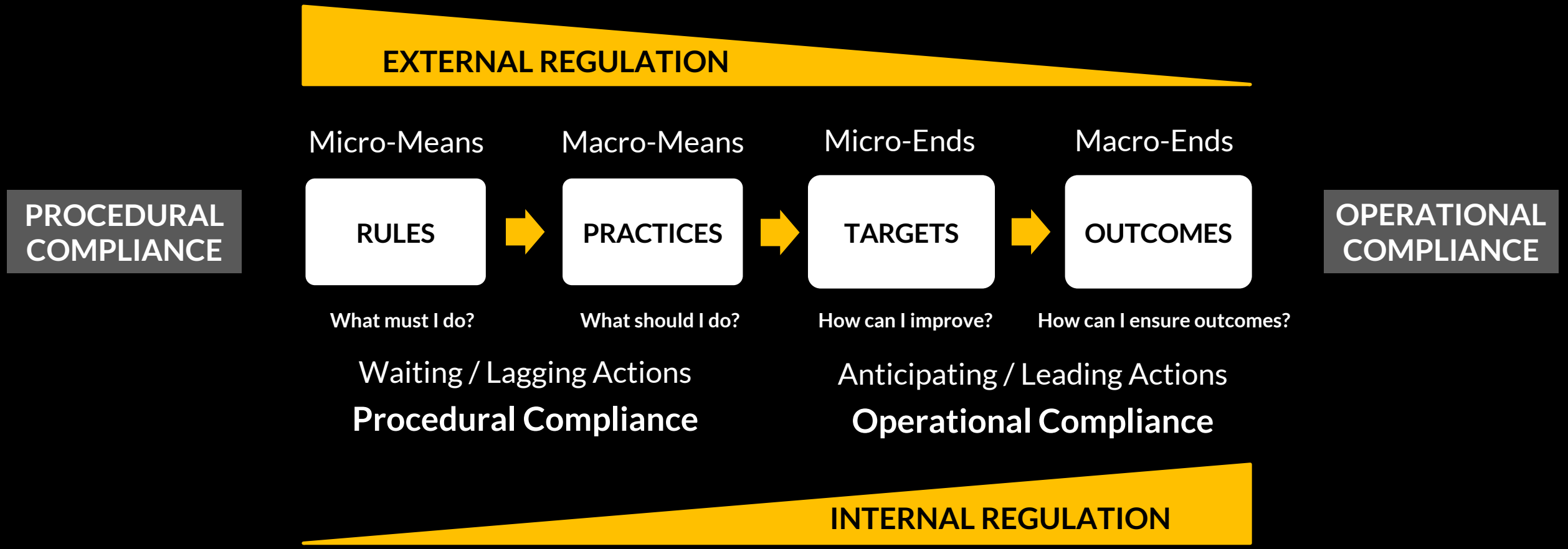


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LEAN COMPLIANCE

OBLIGATIONS AND PROMISES

The nature of obligations is changing resulting from a shift towards risk-based regulators and regulation

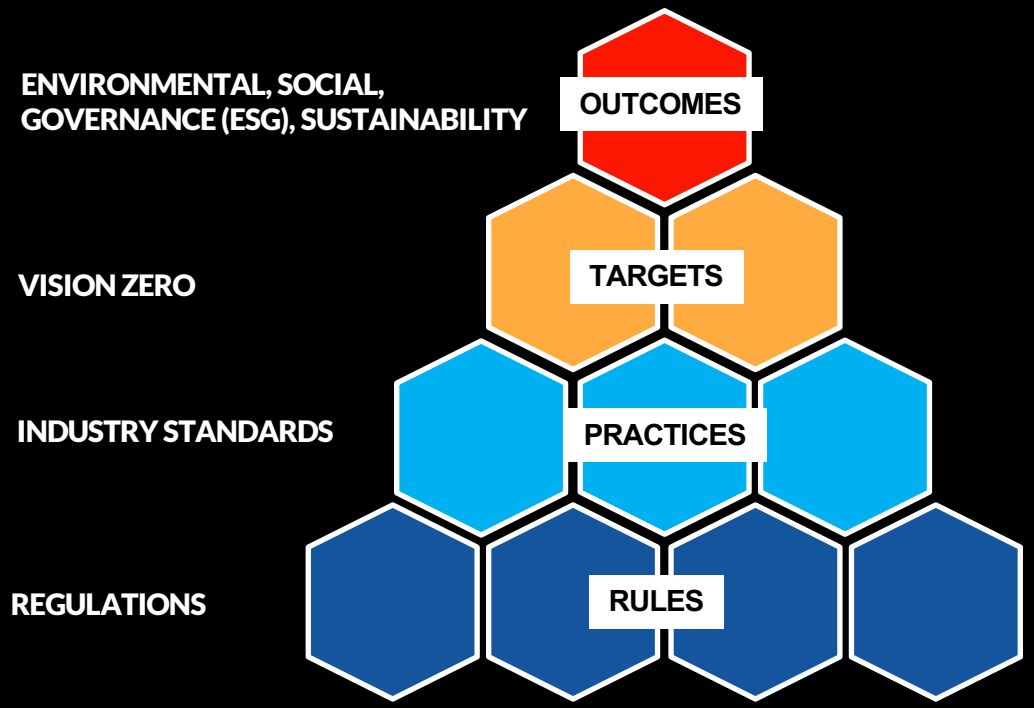


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OBLIGATIONS AND PROMISES

Nature and scope of obligations has expanded

ACCEPTING STAKEHOLDER RESPONSIBLITY



ACCEPTING LEGAL RESPONSIBLITY

Stakeholder Expectations, Duties & Liabilities

Zero Defects, Zero Violations, Zero Incidents, Zero Breaches, Zero Emissions, Etc.

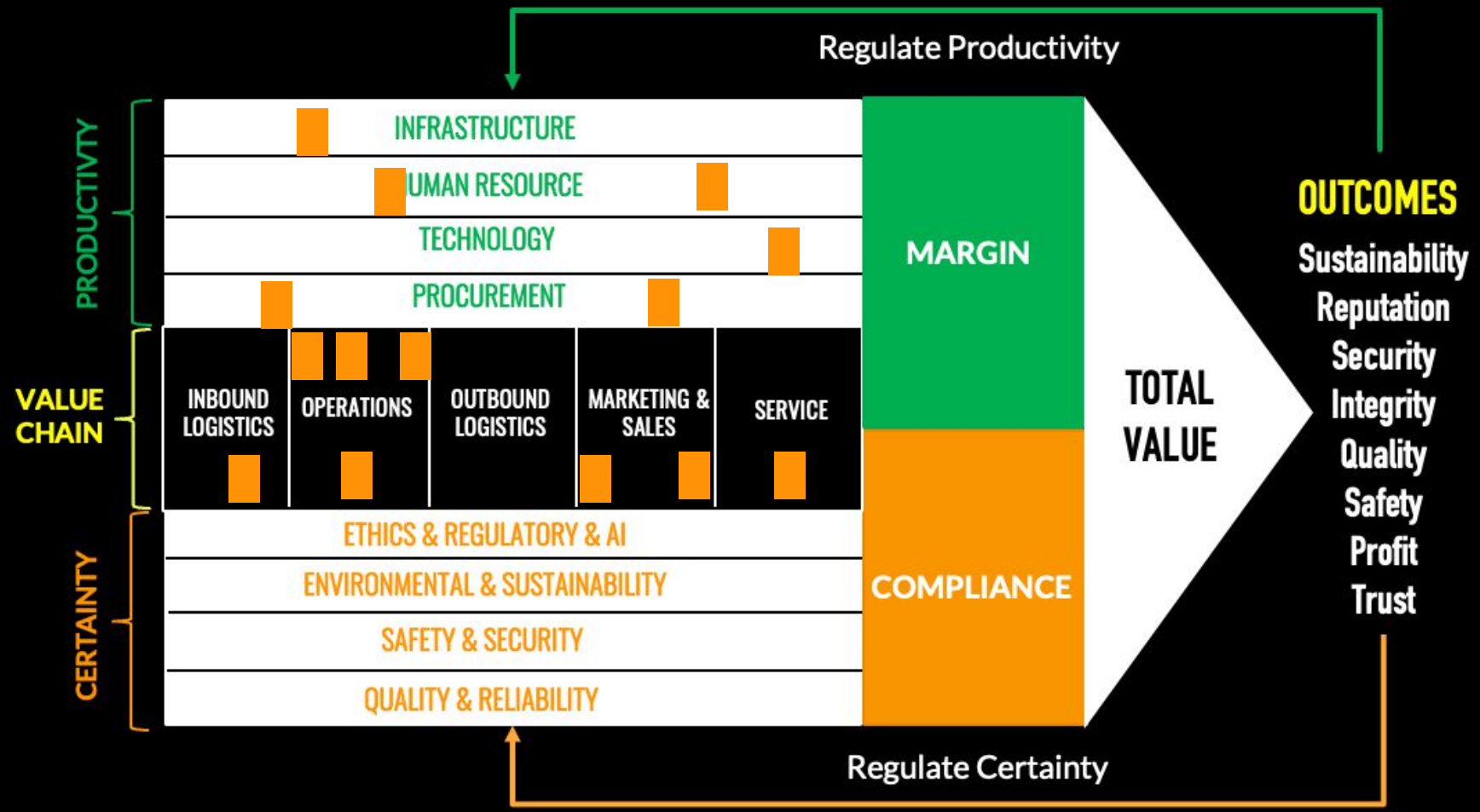
ISO 14000, 37301, 45001, 31000, 9001, OSHA, FDA, CSA, ICH, Etc.

Legislation, Acts, Licenses, Permits, Orders, Contracts

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OBLIGATIONS AND PROMISES

What does operationalized obligations look like?



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OBLIGATIONS AND PROMISES

You cannot meet an obligation without making and keeping promise; promises are operationalized obligations



According to Promise Theory

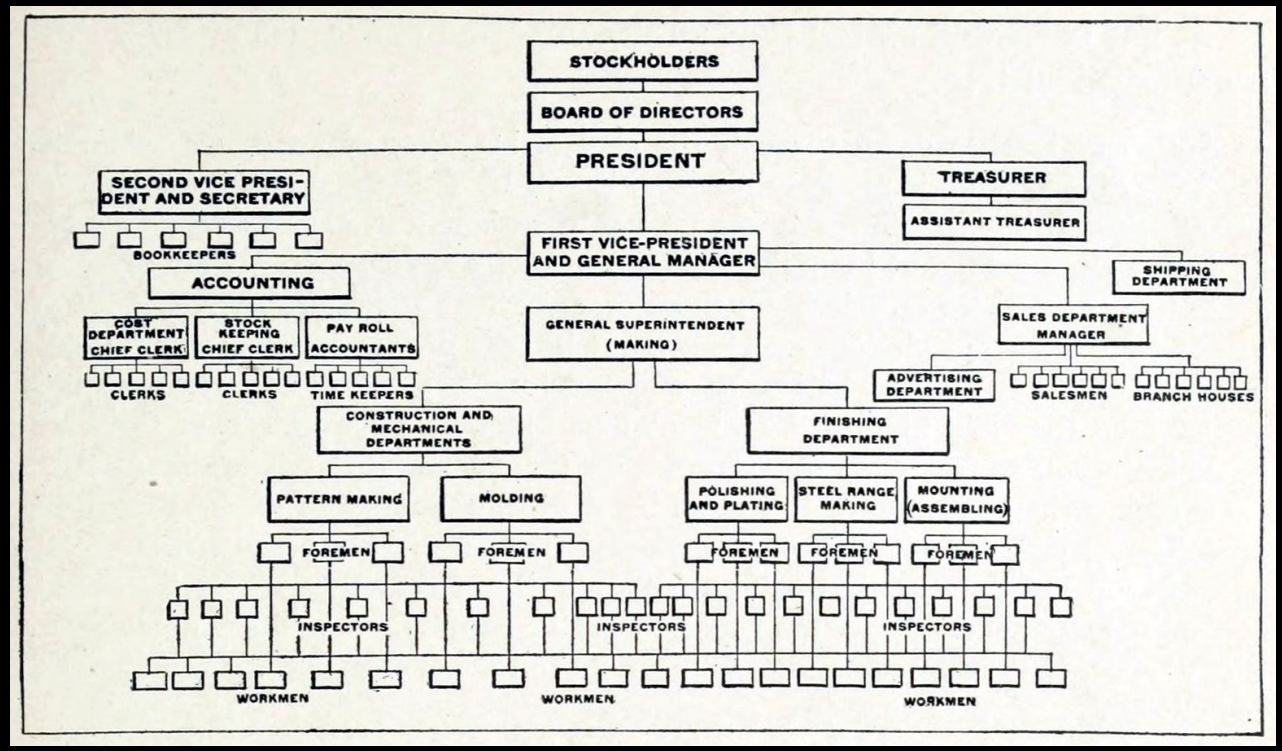
- Obligations are compliance requirements which can be mandatory or voluntary impositions.
- Promises are specifications of the commitments we make to meet our obligations.
- Promises are voluntary, future-oriented, scalable, and dynamic.
- Promise can only be made by a person
- Promises can be fulfilled by people or machines.
- Promises are the basis for trust, they strengthen the intent to meet the obligation.
- Policy is a set of promises

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OBLIGATIONS AND PROMISES

How do we do this?





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LEAN COMPLIANCE

2. ORGANIZATIONAL CHALLENGES

Problems associated with operationalizing obligations

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ORGANIZATIONAL CHALLENGES

Lack of Organizational Alignment

UPPER MANAGEMENT


Accountable


Programs


Obligations


Ends


ROI


Vision

ORGANIZATIONAL BARRIER

Responsible



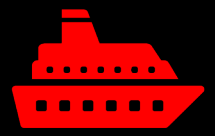
Systems



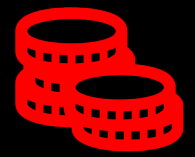
Promises



Means



Cost



Mission



LOWER MANAGEMENT

Organization's must bridge the gap between what's above and what's below

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ORGANIZATIONAL CHALLENGES

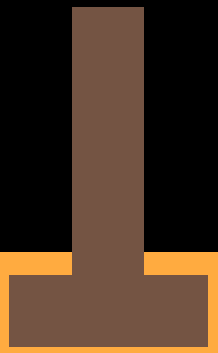
Traditional method of compliance is Policy Push , when it should be Pull

UPPER MANAGEMENT

OBLIGATIONS

- Throw it over the wall
- Strong leadership
- Action plan
- Commands
- Training

Policy Push



ORGANIZATIONAL BARRIER

COMPLIANCE

- Mandatory
- Dictated
- Follow the rules
- Minimal Effort
- Corrective Actions

LOWER MANAGEMENT

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ORGANIZATIONAL CHALLENGES

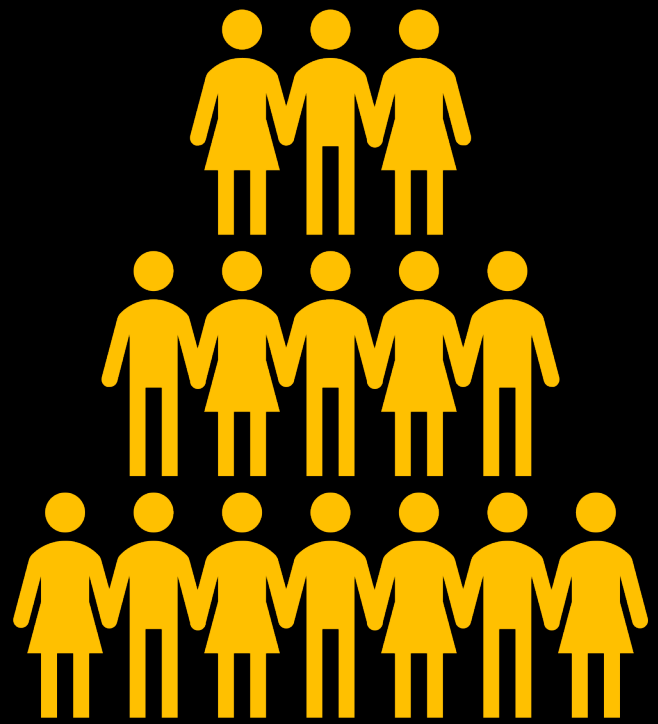
Obligations are often managed by individual systems which creates duplication and waste



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ORGANIZATIONAL CHALLENGES

Compliance – Who is responsible?



- Everyone is responsible for safety
- Everyone is responsible for security
- Everyone is responsible for sustainability
- Everyone is responsible for quality
- Everyone is responsible for compliance

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ORGANIZATIONAL CHALLENGES

Compliance – Who is accountable? The Obligation Owner



OBLIGATION OWNER

An **Obligation Owner** is a person who:

- is accountable to meet an obligation(s)
- is answerable for the outcomes (i.e., results)
- owns the compliance risk
- is legally responsible, but not always.
- has managerial accountability

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ORGANIZATIONAL CHALLENGES

Lack of Proactivity

"Proactivity is a process that can be applied to any set of actions through anticipating, planning, and striving to have an impact."

REACTIVE

- REAR-VIEW PLANNING
- MANAGEMENT REVIEW
- INCIDENT INVESTIGATION
- PROGRAM POST-MORTEM
- MITIGATION & CORRECTION
- FEED-BACK CONTROL
- AUDIT / FIX CYCLE
- COST CONTROL

PROACTIVE

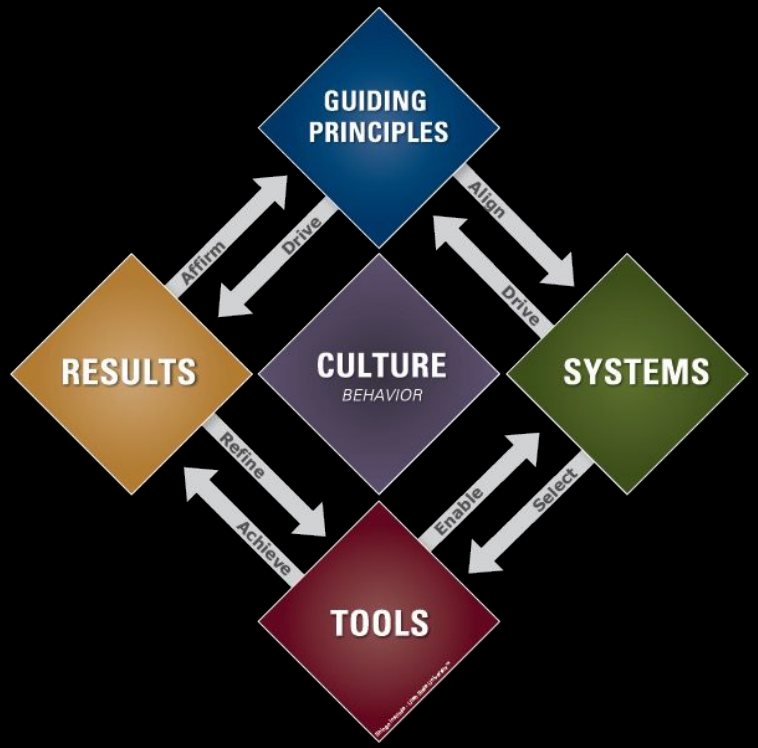
- FRONT-VIEW PLANNING
- MANAGEMENT PREVIEW
- PRE-INCIDENT INVESTIGATION
- PROGRAM PRE-MORTEM
- PREVENTION & ENABLING
- FEED-FORWARD CONTROL
- EVALUATE / ELEVATE CYCLE
- OUTCOME REALIZATION

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ORGANIZATIONAL CHALLENGES

Lack of Operational Expertise in Compliance

Shingo Model for Operational Excellence



Operational Excellence Model



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LEAN COMPLIANCE

3. INTRODUCTION TO HOSHIN KANRI

Policy Deployment / Compass Management

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INTRODUCTION TO HOSHIN KANRI

Direction / Compass Management, Policy Deployment



Policy Deployment

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INTRODUCTION TO HOSHIN KANRI

What problem does Hoshin Kanri solve?



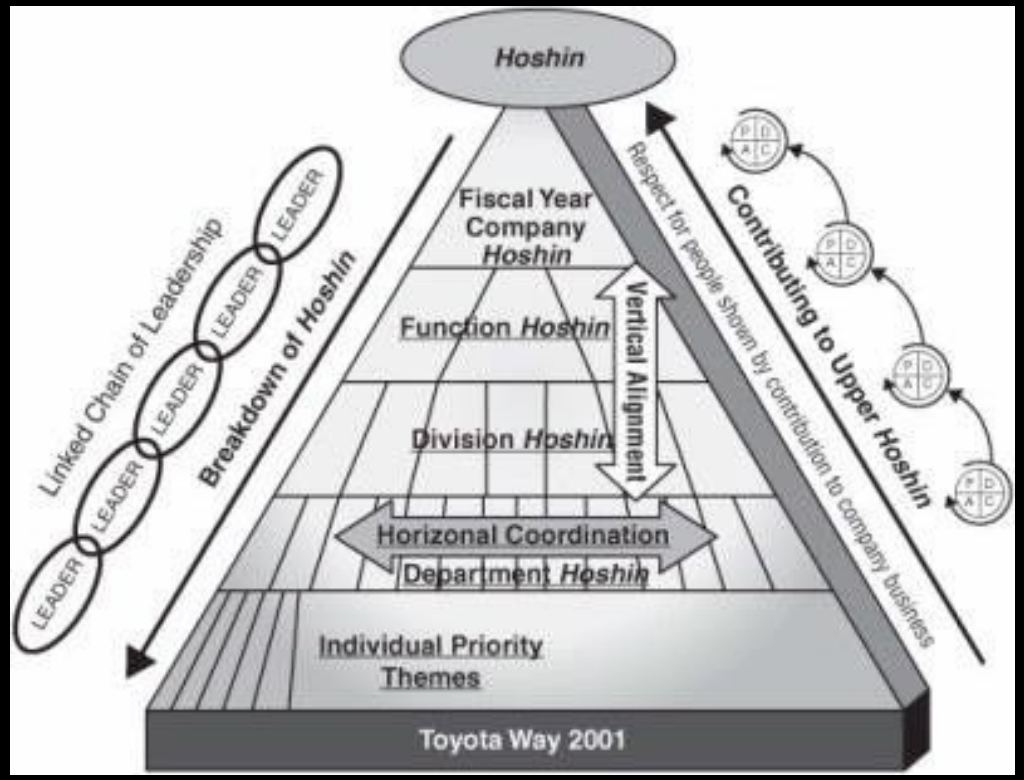
Figure 3. Comparison between the extremes of management style (**Source**: Hutchins, 2008).

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

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INTRODUCTION TO HOSHIN KANRI

How does Hoshin Kanri solve these problems?



- **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.
- **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.
- **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.
- **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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INTRODUCTION TO HOSHIN KANRI

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 3–5 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

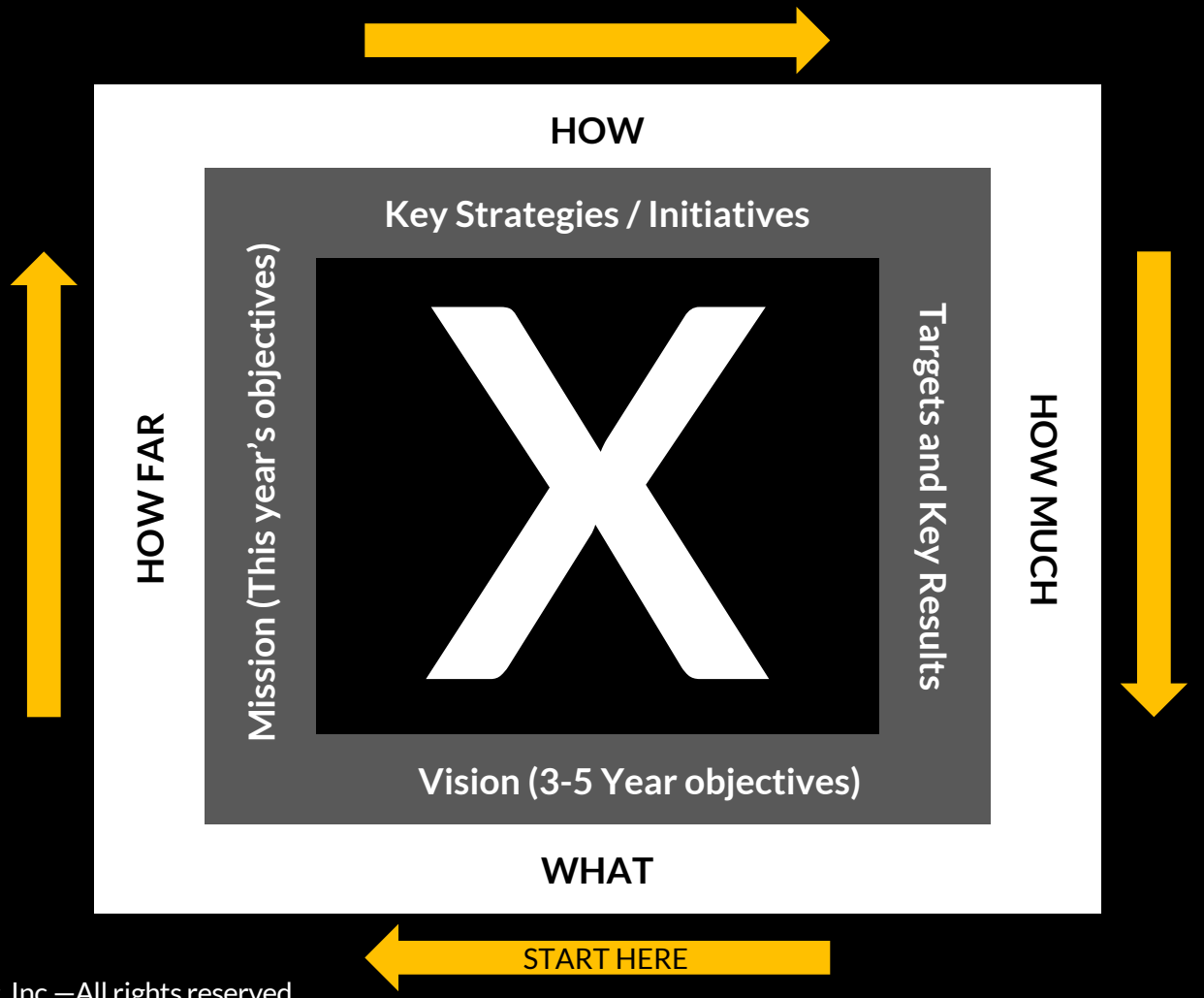
- *Evaluate the overall performance of the organization against the breakthrough objectives.*
- *Learn from successes and failures to improve future planning.*

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LEAN COMPLIANCE

INTRODUCTION TO HOSHIN KANRI

X-Matrix Compass – Connecting Organizational Outcomes to Operational Objectives



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INTRODUCTION TO HOSHIN KANRI

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



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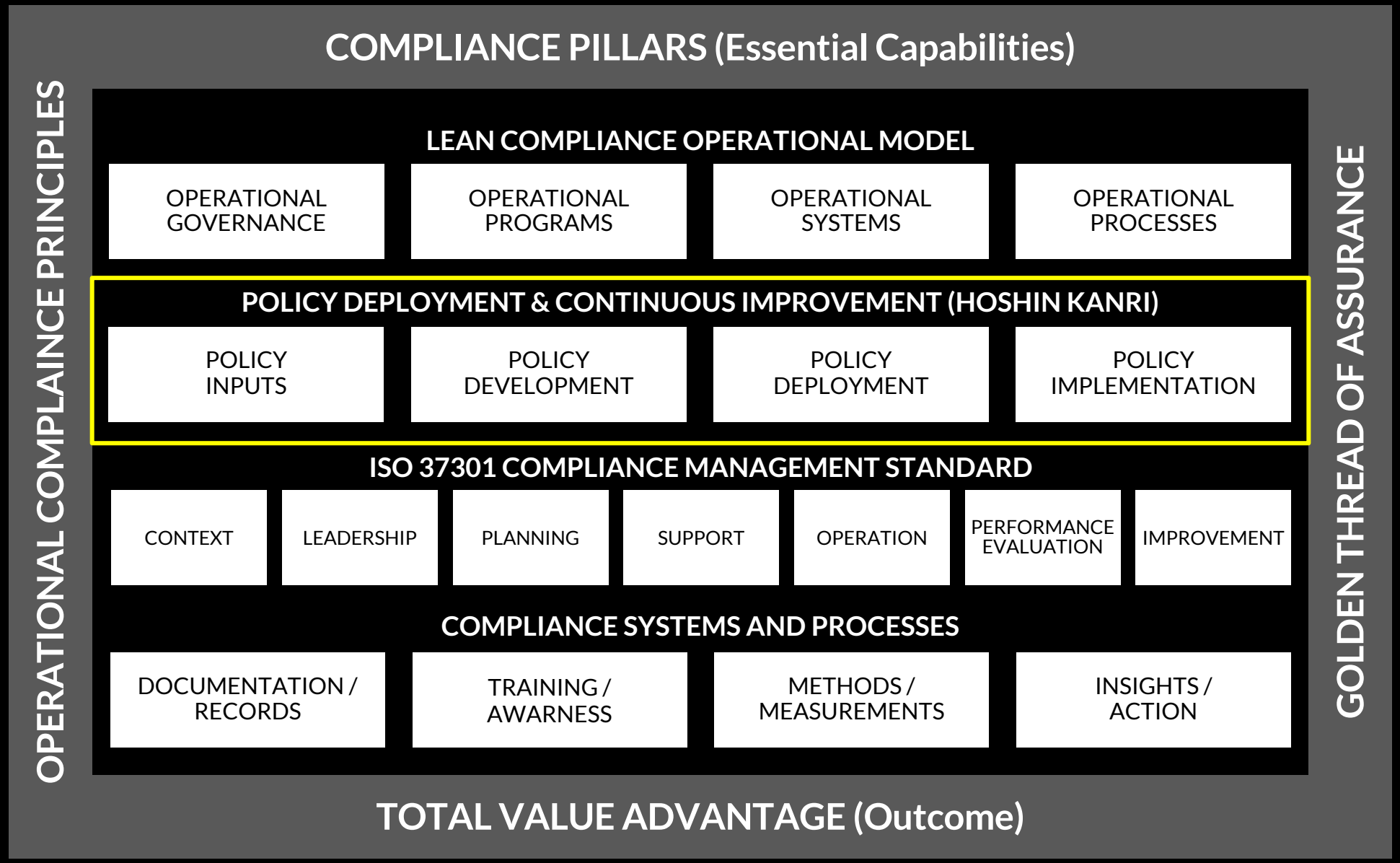
4. USING HOSHIN KANRI FOR COMPLIANCE

To improve alignment, accountability, and assurance

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Lean TCM (Total Compliance Management)

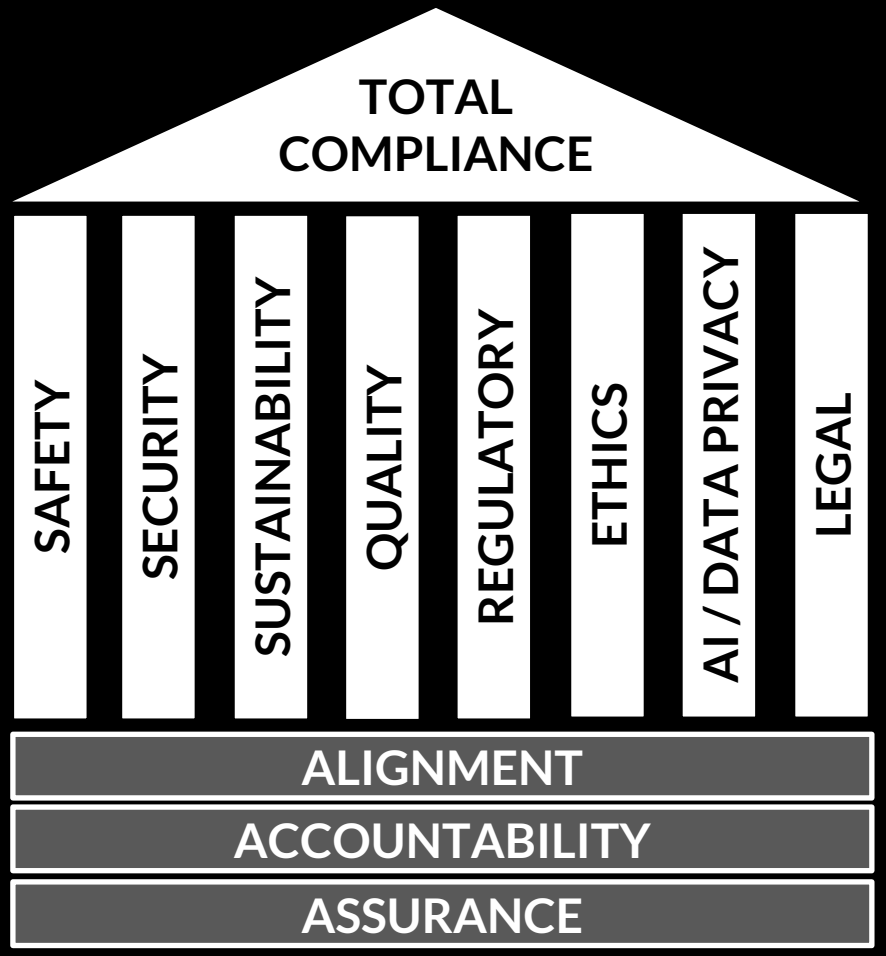
LEAN COMPLIANCE



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USING HOSHIN KANRI FOR COMPLIANCE

Why Hoshin Kanri for Compliance?



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

- **Strategy-Execution Bridge:** Connects strategic planning with operational execution needed for operational compliance.
- **Organizational Alignment**: Aligns individual compliance efforts with overall organizational goals.
- **Operational Alignment**: Designed to directly address operational alignment challenges.
- **Performance and Outcome Focus:** designed for operational performance supporting target and outcome-based obligations.
- **Voluntary Commitment**: Promotes voluntary participation that encourages proactive compliance.
- **Efficient**: Prioritizes negotiation of commitments over tasks.
- **Ease of Adoption**: Easily integrated into existing Lean and management practices.

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USING HOSHIN KANRI FOR COMPLIANCE

Hoshin Kanri - Catch-ball (Participatory process, Push/Pull)

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

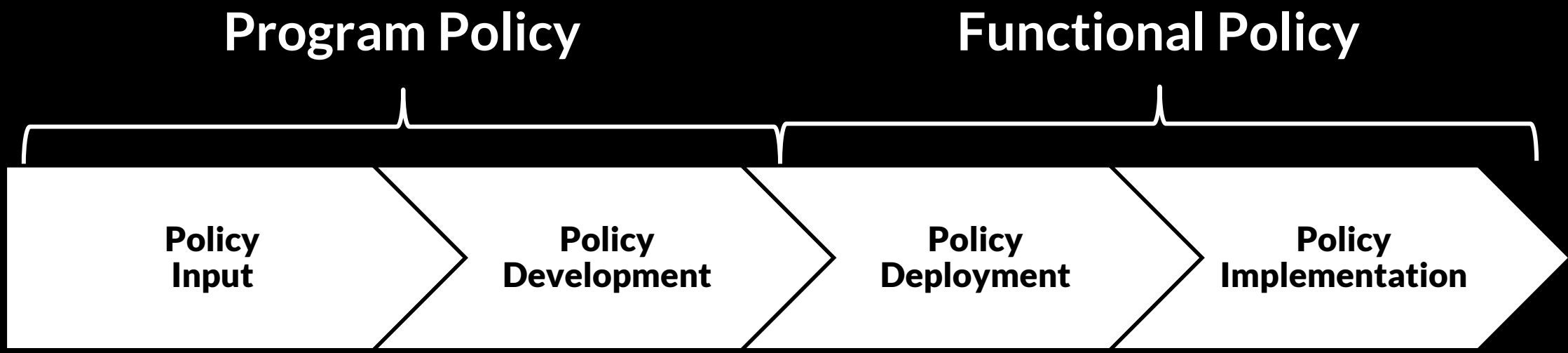


Catchball

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USING HOSHIN KANRI FOR COMPLIANCE

Four stages of policy management



- 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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Policy Management Process Diagram

LEAN COMPLIANCE

OPERATIONAL GOVERNANCE

OPERATIONAL PROGRAM

OPERATIONAL SYSTEMS

POLICY INPUTS

POLICY DEVELOPMENT

POLICY DEPLOYMENT

POLICY IMPLEMENTATION

Board Priorities

Strategy & Plans

Laws and Regulations

Assets

Stakeholder Concerns

Obligation Identification

Commitments & Risk

Essential Capabilities

Definition of Operational Policy

Program Evaluation



Program Procedures, Training, Validation, Improvement

Establishment of Objectives, Targets, and Improvement Initiatives

Establishment of Indicators

Creation of Policy Deployment Plans

Performance Evaluation

Hoshin Kanri

Catch ball

Division, Departments & Systems

System

X-Matrix

Program

X-Matrix

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USING HOSHIN KANRI FOR COMPLIANCE

Compliance Pillar - Dependency Structure Matrix (DSM)

OBLIGATIONS / PROMISES	Policy Deployment Plan	Safety	Security	Sustainability	Quality	Regulatory	AI / Data Privacy	Ethics	DEPENDANCY INDEX
Safety	PDP	10	5	3	5	5	3	5	**51%**
Security	PDP	5	10	4	7	6	7	5	**63%**
Sustainability	PDP	3	4	10	4	3	1	5	**43%**
Quality	PDP	5	7	4	10	4	3	2	**50%**
Regulatory	PDP	5	6	2	4	10	7	2	**51%**
AI / Data Privacy	PDP	3	7	1	3	7	10	5	**51%**
Ethics	PDP	5	5	1	2	2	5	10	**43%**
DEPENDANCY INDEX		**51%**	**63%**	**36%**	**50%**	**53%**	**51%**	**49%**	

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USING HOSHIN KANRI FOR COMPLIANCE

Functional Unit - Dependency Structure Matrix (DSM)

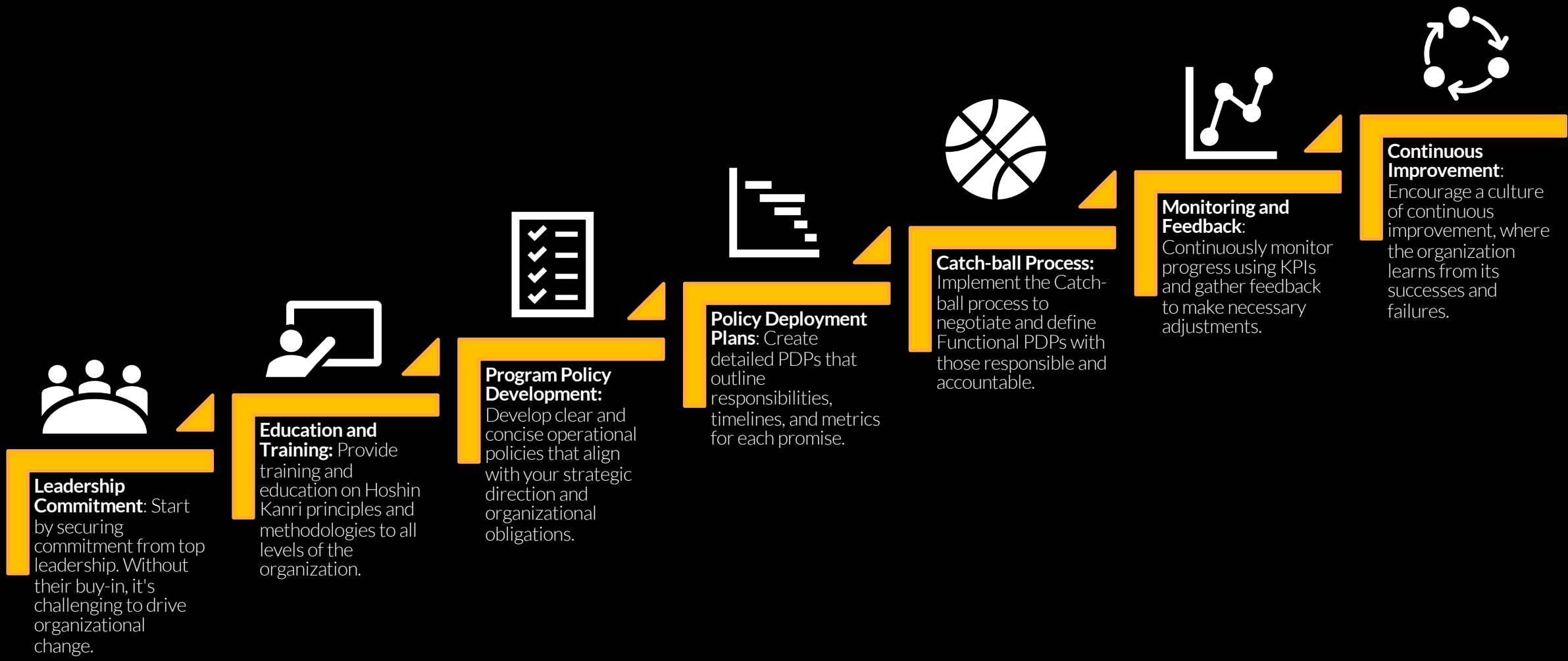
OBLIGATIONS / PROMISES	Policy Deployment Plan	Safety	Security	Sustainability	Quality	Regulatory	AI / Data Privacy	Ethics	DEPENDANCY INDEX
Sales	PDP	1	1	1	1	1	1	1	**10%**
Marketing	PDP	1	1	2	2	1	1	4	**17%**
Purchasing	PDP	1	4	7	7	4	6	7	**51%**
Operations	PDP	1	6	7	8	5	3	3	**47%**
Shipping	PDP	1	3	4	3	2	1	1	**21%**
IT	PDP	1	8	4	5	4	7	1	**43%**
Human Resources	PDP	1	1	2	2	2	1	5	**20%**
Finance	PDP	1	2	3	3	6	6	6	**39%**
Customer Service	PDP	1	2	1	5	2	3	1	**21%**
DEPENDENCY INDEX		**10%**	**31%**	**34%**	**40%**	**30%**	**32%**	**32%**	

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LEAN COMPLIANCE

USING HOSHIN KANRI FOR COMPLIANCE

Hoshin Kanri for Compliance 7-Step Process

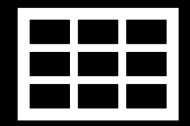


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USING HOSHIN KANRI FOR COMPLIANCE

Key Hoshin Kanri Principles for Compliance

1. **Clearly Define Obligations:** Organizations should establish a clear understanding of their obligations and translate them into well-defined policies. These policies serve as the promises made to meet obligations and should be communicated effectively throughout the organization.
2. **Foster Ownership and Collaboration**: Every individual involved in meeting obligations and commitments should be empowered and encouraged to take ownership of their respective responsibilities. Collaboration and cross-functional teamwork should be fostered, creating a shared sense of accountability, and ensuring that everyone understands their role in fulfilling the promises made.
3. **Embrace Policy Deployment**: Implementing the Hoshin Kanri method allows for the effective deployment of policies and commitments throughout the organization. The iterative process of catching the ball facilitates communication, feedback, and alignment at all levels, ensuring that promises are understood and fulfilled appropriately. The Catchball process takes time for the ball to move between parties, but this creates room for alignment to occur.
4. **Negotiate Commitments**: Promise negotiation should involve discussions between accountable parties and those responsible for compliance. This collaborative process ensures that obligations are understood, and commitments are realistic and achievable within the organization's capabilities.
5. **Communicate and Reinforce**: Effective communication is essential for maintaining clarity and reinforcing commitments. Regular updates, progress reports, and feedback loops should be established to keep everyone informed and engaged in the process. By consistently communicating the importance of obligations and the progress towards meeting them, organizations can reinforce a culture of accountability and responsibility.







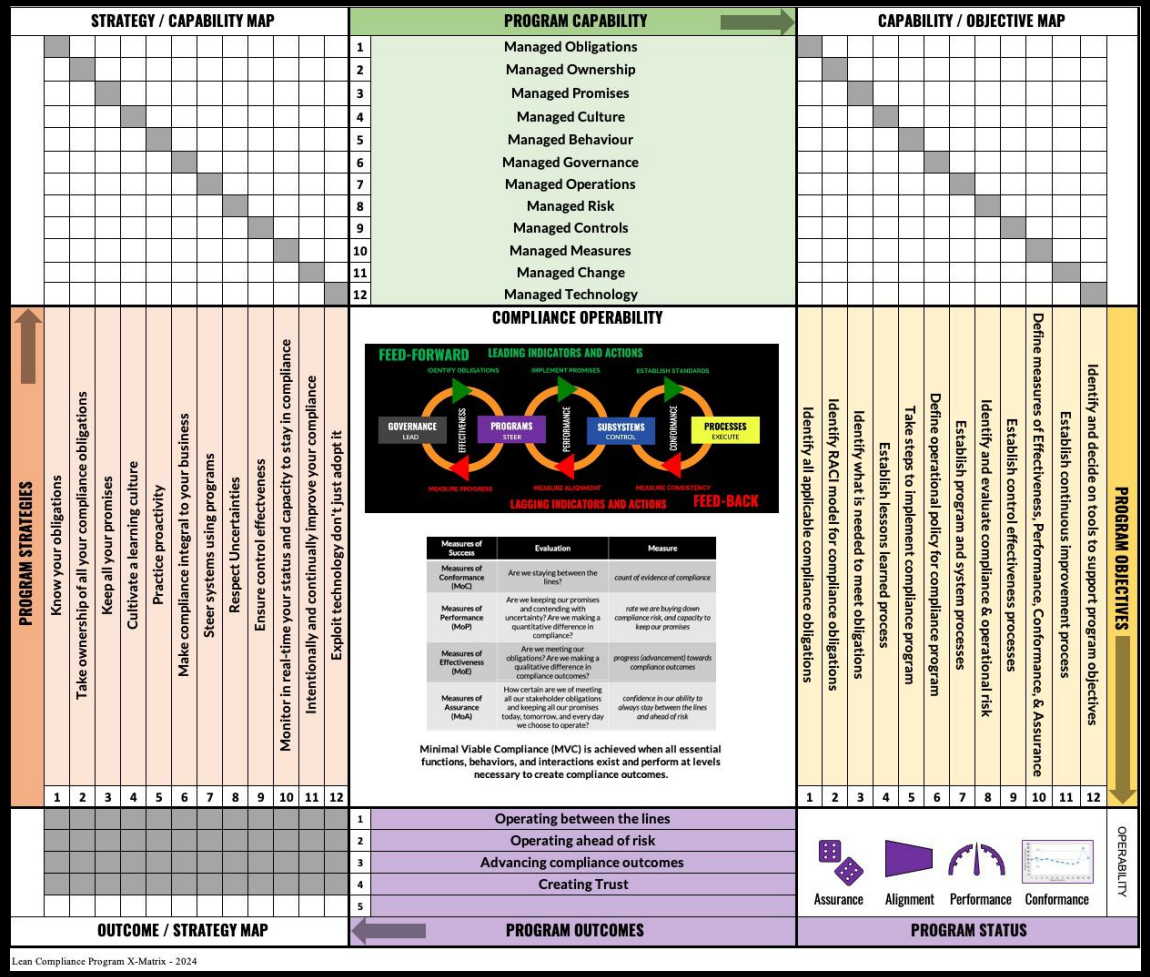




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USING HOSHIN KANRI FOR COMPLIANCE

The Lean Compliance X-Matrix Compass



- Designed for compliance operability
- Incorporates the 12 Principles of Operational compliance
- Prioritizes capabilities
- Compatible with ISO 37301 Compliance Management Systems Standard

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LEAN COMPLIANCE

SUMMARY

What we covered today

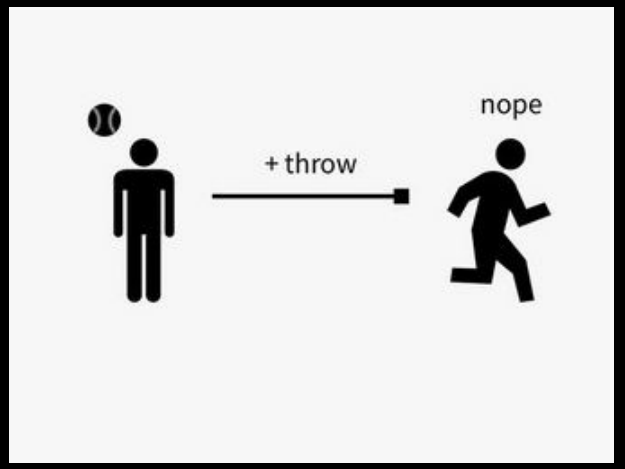
1. Obligations and Promises
2. Organizational Challenges
3. Introduction to Hoshin Kanri
4. Using Hoshin Kanri for Compliance

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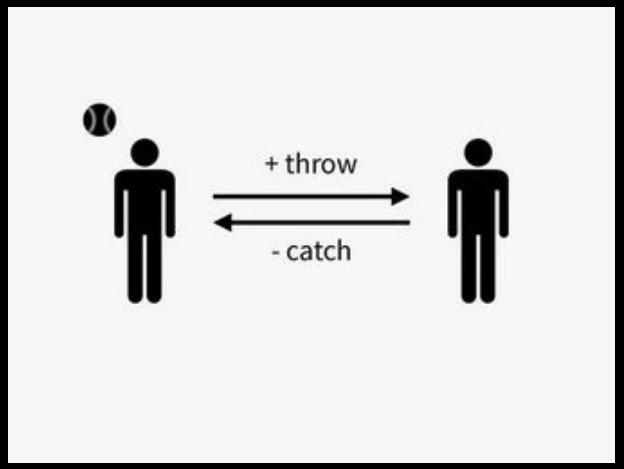
BIG IDEA

We don't need compliance to teach operations to be compliant, we need operations to teach compliance to be operational.

Obligation without a Promise



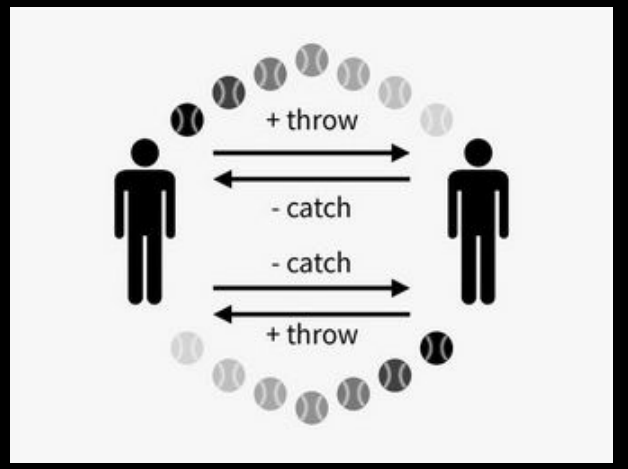
Policy Push



Obligation with mandatory Promise

Policy Conformance

Obligations with voluntary Promise



Policy Alignment

Hoshin Kanri – Policy Deployment Methodology for Compliance

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Q&A



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Thank You!

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