



CASE STUDY

How Mercer Celgar Reinvented Its Strategic Planning Process Using Hoshin Kanri

A three-part series exploring hoshin kanri through the experience of Bill MacPherson, managing director of Mercer Celgar, a division of Mercer International.

by Patricia Panchak



Breaking the Cycle of Ineffective Strategic Planning and Execution

Face it: Few people are happy with their organization's strategy development and execution process. Each year, as the time for the next year's strategy review and planning nears, executives, division and middle managers, and supervisors wrestle with a mix of optimism and dread. Thoughts of a fresh start—maybe this year we'll get it right!—mingle with doubts as they dust off last year's plan, not seen since sometime last April, let alone completed.

It doesn't have to be this way. Even if your process isn't that dysfunctional, it likely needs to be improved. Research shared in a 2015 *Harvard Business Review* article found that two-thirds to three-quarters of large organizations struggle with execution.

To break free of this annual cycle of frustration and confusion that leads nowhere, consider what the Mercer Celgar team has done. Led by Bill MacPherson, its managing director, the British Columbia-based team has embarked on a total overhaul of its planning and execution process. The new approach? Hoshin kanri, which, it just so happens, addresses each of the five reasons cited by that *HBR* article about why strategy execution fails—and then some.

Finding a Better Way

In Mercer's case, it was MacPherson's leadership philosophy and belief in the importance of self-development, not a dire situation, that drove the change. "I find, as a leader, that the most important thing I do is develop others," he says. "And so, I have to develop myself so that I can lead as a teacher and a coach."



"I find, as a leader, that the most important thing I do is develop others," asserts Bill MacPherson, managing director of Mercer Celgar, Mercer International. "And so, I have to develop myself so that I can lead as a teacher and a coach." His search for ways to enhance his leadership capabilities prompted Mercer Celgar's lean leadership journey and the adoption of hoshin kanri as its strategic development and execution process.

About Mercer Celgar

Mercer Celgar is one of four pulp operations owned and operated by Mercer International Inc, producing pulp, bio-energy and bio-extractives. Situated just minutes outside the city of Castlegar, BC, we employ 427 team members who work together to produce approximately 500,000 tonnes of Northern Bleached Softwood Kraft pulp, enough eco-certified green energy to supply our own needs plus up to an additional 20,000 homes and 250,000 litres of turpentine annually.

At Mercer Celgar, we make more than just pulp. We are also working hard to help build a more sustainable and positive economic future for Castlegar, our surrounding communities and the families that live within them. For further information, please visit our website at www.mercerint.com.

MacPherson explains that he had gained some experience with lean thinking and practice in an earlier position. So, he started reading and learning, eventually being directed to the Lean Enterprise Institute (LEI) by a colleague. Soon after he arrived at Mercer, he read *Getting the Right Things Done*, a Shingo award-winning book published by LEI. “It just connected with me and resonated,” MacPherson recalls. “And I thought, you know what? Let’s give it a try.”

“I bought copies for all the senior directors. We read it together and went offsite and began trying to follow the model in the book.” The change from that rudimentary start, he adds, “was a tremendous improvement, [helping] take a lot of competing initiatives and integrating them and beginning to align.”

After two years, 2019 and 2020, the leadership team decided to seek out experienced practitioners for help. Their search connected them again with LEI, where they participated in the institute’s Hoshin Kanri Remotely, a nine-session workshop, during which attendees learn and practice the strategy development and deployment approach. MacPherson recalls reading the *HBR* article during the course and realizing “that strategic planning, hoshin kanri, isn’t just cascading objectives down the organization so you have vertical alignment. It’s the vertical and horizontal

alignment and the top-down, bottom-up strategic priorities meetings—and building that plan together.”

“The understanding really clicked with the senior leadership team of the power of us working together, not just vertically,” he adds. But also, “taking senior-level strategic priorities, translating them down to the front line and then letting the front line of the organization put those together and come back up,” thus creating a strong agreement on the plan at every level of the business.

Setting Priorities Strategically

Another crucial lesson the leadership team learned by adopting hoshin kanri was how to prioritize the many competing business initiatives when setting and executing the plan. “We learned a really powerful phrase from hoshin kanri,” MacPherson says. “It was not ‘no’ but ‘not now.’”

With the team aligned on the strategic plan, when other ideas arose, as they do through the year, the hoshin approach provided them a filter to decide how to prioritize new ideas—whether and how to adjust the plan due to new circumstances. “First, does it align with our hoshin objectives,” MacPherson explains. Then, if a new idea competes with or becomes more critical than another of

Pre-LEI Hoshin Hoshin

VS.

LEI Hoshin Hoshin

1. Improved organization alignment and focus
2. Better alignment amongst the operations Senior Team
3. Top down
4. Too much focus on the tool as opposed to the thinking
5. Still too many objectives and too fuzzy (unclear priorities, objectives and targets)

1. Built with involvement of the whole organization, from top down and bottom up
2. Better vertical alignment to enterprise goals and priorities
3. Much better horizontal alignment
4. Better focus on innovation and continuous improvement
5. Accelerator for organizational capability

the strategic objectives for that year, the leadership team can decide within the context of the plan.

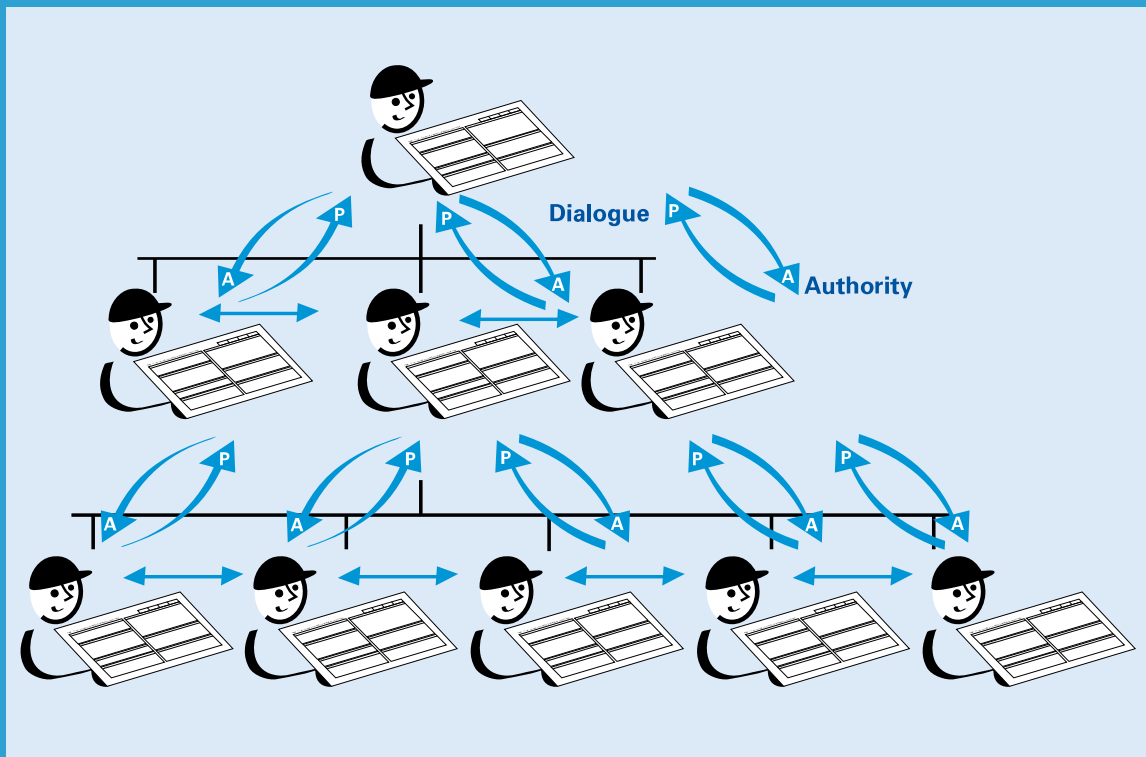
“It gave us the ability to not be overwhelmed by the continuing evolution—of the plan’s contact with reality—and the change that comes with that,” he adds.

Addressing Continuing Struggles

Even with hoshin helping with prioritization, the team still tends to include too much in its plans. “You think you’re winnowing down, and you’re really razor-focused on the things that are going to leapfrog your organization and your daily management system and innovation,” he

explains. “But it’s still too much.” MacPherson attributes the habit to conditioning—how leaders of his generation have been steeped in “firefighting-type cultures that are overwhelmed” and where leaders who swoop in and fix problems are celebrated and promoted.

The difference now is the Mercer team is building the hoshin kanri thinking and practice that counters such challenges. “We’re already talking, for example, about when we sit down in the fourth quarter for our 2022 hoshin, about the lessons learned and how we can’t wait to get in that room and really take what we’ve done this year on our current hoshin and come away with a really well-done hoshin that is very lean.” ■



What is Hoshin Kanri?

A management process that aligns—both vertically and horizontally—an organization’s functions and activities with its strategic objectives. A specific plan—typically annual—is developed with precise goals, actions, timelines, responsibilities, and measures.



When Mercer International’s Celgar Mill leadership team began exploring and using hoshin kanri for their strategic planning and execution, they used a go-it-alone approach, which Bill MacPherson, the mill’s managing director, says worked well. Still, he adds, “once we actually started working with seasoned practitioners, it made all the difference.”

The effort to adopt hoshin practices began with the Celgar team working through *Getting the Right Things Done*. “We read it together, and we went offsite and began trying to follow the model in the book,” MacPherson explains. “Even though it was rudimentary, it was a tremendous improvement.” The “roll up your sleeves and let’s see if we can get this done” experience also meant the team had better questions and was better prepared to learn from an experienced coach. Also, in keeping with the adage “perfection is the enemy of the good,” he notes: “Sometimes it’s just: get started with something good and then start improving it.”

Professional Coaching Catalyzes Company wide Interest

For the first foray into more formal learning, the Celgar team participated in the Lean Enterprise Institute’s Hoshin Kanri Remotely, a nine-session workshop where attendees learn and practice the strategy development and deployment approach. During the workshop, MacPherson notes, the team put together its 2021 hoshin. As critical, he says the team began to realize: “You’re trying to move a large, almost monolithic thing—a large organization. To



David Gansossi, Mercer International’s CEO (foreground), participates in activities at Mercer Celgar. As the Mercer Celgar leadership team deepened its understanding of hoshin kanri and A3 management, they began to understand more fully two essential practices. First, the need for leaders to go to the gemba to engage and coach the front line in problem-solving. Second, to keep senior executives in the loop about the new approach to strategy development and execution.

get all that to move in one direction – or as much as you can – is a daunting task. That’s where hoshin kanri helps.”

As their learning and practice deepened during the workshop, MacPherson invited Mercer’s senior executive team into conversations with LEI Senior Lean Coach Mark Reich, who led the workshop the team had participated in. Though they’d involved David Gandossi, Mercer International’s CEO, Adi Koppensteiner, Mercer International’s COO, and others from the start of their

hoshin journey, their workshop experience helped them realize the need to keep senior executives in the loop. Initially, the goal was to help them “gain some insight and develop an understanding.” Then, as they developed the 2021 hoshin and started to understand the importance of process standardization across the company, the goal was to enable the senior leaders to participate and ask questions.

MacPherson also engaged others worldwide, including leaders of Mercer’s Stendal, Germany-based mill, Koppensteiner, Andre Listermann, and Bjorn Pecker. “We wanted not to push this but to give people insight into what we were learning and, perhaps, let them generate good questions,” MacPherson says. “And it’s done that: The word “hoshin” is now used across Mercer. Celgar is the practitioner of it, but there’s been an enormous amount of curiosity and interest and discussion as it’s evolving.”

Making a Difference to the Business

Though the benefits derived from hoshin kanri compound over time, the Celgar Mill already is seeing business results. “Celgar was a mill that was struggling with delivering business results for decades,” MacPherson admits, but “is now beginning to be seen differently.”

In conversations with other senior leaders, “it’s, wow, we’re seeing changes in the execution on the business side, the understanding of the business by the senior leadership team, and how engaged they are with the organization,” he adds. “So, yes, you can say it’s making a difference.”

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MacPherson credits this new approach for the \$2.7 million in cost savings achieved from continuous improvement projects completed in the first six months of the year.

Further, when MacPherson reviews the business results, he sees that the Celgar team is focusing on a couple of

particular objectives that were hoshin-driven, where there are business results. Specifically, he credits the approach for the \$2.7 million in cost savings achieved from continuous improvement projects completed in the first six months of the year. Also, he notes that the team implemented process improvements on 27 control loops, averaging a reduction in the standard deviation of 44%.

Anticipating the Next Hoshin Improvements

As they deepen their learning and extend their practice of hoshin, the Celgar leaders have a few areas they’ve identified where they can do better.

First, they’d like to extend hoshin planning participation to everyone working at the mill. With the earlier hoshin, MacPherson admits, they engaged through to the supervisor level before finalizing the plan, noting the rush at the end of the year precluded more people. This year, he adds, “We’re going to begin even earlier to give ourselves time to go all the way to the [front line], so we have time to take those inputs back up—and then we’ll have created an organizational plan, not a senior leadership plan.”

Second, the leadership team plans to learn more about A3 problem-solving. MacPherson notes that until they participated in the LEI workshop, none of the Celgar leaders had had any formal exposure to the A3 methodology, so their use of the approach tended to be mechanical, a way to track progress on objectives. However, now that they’ve learned more about A3’s role in hoshin, they understand that A3 thinking and problem-solving are much more—that it’s about helping leaders learn how to ask great questions, to develop deep understanding of the work, and help the organization solve problems by going to the gemba. Ultimately, A3 thinking is a leadership and team-member capability development process, where the development takes place while doing the work.

Additionally, the Celgar team realizes that hoshin objectives are, essentially, “large, complex problems to solve, with a series of objectives and targets built-in,” explains MacPherson. “Typically, there’s quite a bit of analysis and understanding.” Through the hoshin work they’ve done,

the team now realizes that they haven't been going to the gemba to really understand and unravel the problem but rather to deploy solutions that they'd "already had in mind."

Finally, with this new focus on engaging everyone in the business and improving A3 thinking and problem-solving, the leaders are transforming their approach to leadership. They're working to change from being problem-solvers who simply cascade solutions to their teams, to becoming leaders who engage their team members—asking their thoughts and ideas about the problem and guiding them,

working with them, and coaching them to come up with solutions.

As is typical of many companies that adopt hoshin to fix their ineffective strategy development and deployment process, Mercer's Celgar team discovered how hoshin catalyzes improvement in many areas. So, as they progress through another year of hoshin planning and deepening their organization's problem-solving capabilities, they're already looking forward to their next learning opportunity: lean leadership coaching. ■



Coach Spotlight

Meet Senior Lean Coach Mark Reich, who stands ready to design an education and coaching program to help you adopt hoshin kanri and A3 problem-solving at your organization.

In the tradition of LEI's custom coaching approach, he'll create a learning experience that will help you learn as you address a real and meaningful business objective.



Becoming—and Developing—More Effective Leaders

As Mercer International’s Celgar Mill leaders complete their first hoshin, they now understand that adopting hoshin kanri changes more than how an organization develops and deploys a strategic plan. They see that it also transforms how an organization’s leaders lead and develop their team members’ capabilities – and, critically, that the hoshin kanri discipline enables them to achieve these goals concurrently while they’re doing the work. For the Mercer Celgar leaders, these additional facets of hoshin conveniently mesh with their belief that a leader’s most important contribution is developing their team members, which requires that the leader become a better teacher and coach.

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Now, heading into their second year, they’re doubling down on acting on that belief. The Celgar leaders plan to extend problem-solving coaching throughout the organization, with a focus on at-the-gemba improvements. To do this, they will again tap the Lean Enterprise Institute (LEI) by having leaders take part in lean leadership coaching. Specifically, the leaders will participate in a new lean leader executive coaching experience developed and led by LEI Senior Lean Coach Mark Reich, which immerses leaders and soon-to-be leaders in learning two vital practices. First,

Reich coaches the leaders on how to solve problems using the A3 methodology. Then, he coaches them as they coach their team members to solve problems the A3 way. In both phases, the activities focus on solving an existing business problem at the company.

Critically, the experience challenges leaders to interrogate their current view of effective leadership, the impact of ineffective leadership, and their organization’s leadership practices, enabling leaders to transform their leadership mindset and practices and gain an in-depth understanding of the why and how of lean leadership.

Addressing Ineffective Problem-Solving

Creating a hoshin – a strategic plan—involves a process that engages everyone at every level of an organization through a series of top-down, bottom-up communications that ensures that everyone is aligned on and understands the company objectives and knows their role in helping achieve them. With this two-way communication, those who are closest to the work influence the plan and, as a result, become more invested in executing it.

As they executed the 2021 hoshin, the Celgar Mill team began to understand that day-to-day leadership, specifically problem-solving, could be improved through a similar two-way communication process. Significantly, the leaders realized that they tended to solve problems for their team members—“cascading the solutions to them,” instead of involving them in determining a solution. “What we found through the work is that we don’t go to the gemba to really understand and unravel the problem,” MacPherson says.

“We were about deploying a bunch of solutions that we already had in mind.” He notes this practice is disrespectful to the person closest to and doing the work and, as bad, ineffective for various reasons.

First, as they executed the hoshin using A3 thinking and problem-solving, the team “often found the problem that we thought needed to be solved wasn’t the problem at all. It was something completely different,” MacPherson says. This misdiagnosis is an issue itself but also leads to what he calls “problem churn,” where you never truly solve the problem.

When solutions “are cascaded from the top, with just the top of the organization doing the thinking, you never quite get to root cause,” he says. “You might resolve 60% or 70% or 80%, but you’re never able to go ‘off the chart,’ and then spend time gaining organizational efficiencies by freeing yourself up from the waste that goes on from the churn.”

Further, when all the thinking is isolated at the top of the hierarchy, an organization limits its problem-solving capacity, notes MacPherson. The better way, he says, is when leaders go to the worksite with an open mind to ask questions and hear from the person doing the work, which helps properly identify the root cause of and potential solutions to the problem.

And that’s where A3 problem-solving comes in. “We’re learning now, as leaders, you can’t do an A3 – one that’s well done – without spending a lot of time at the bottom of that hierarchy, where the work happens,” he says.

“We’re now diving into A3 as leaders, and it’s transforming us into becoming problem-solv[ing coaches] instead of cascading solutions down the organization,” MacPherson says. But, as important as better problem-solving is, the most significant benefit to the new approach is that it leads to increased team member engagement. So, instead of only the top third thinking, the Celgar Mill can potentially have all 417 team members become effective problem-solvers.

Adopting a New Education and Training Philosophy

Mercer’s Celgar team is now convinced that executing the hoshin using A3 management ultimately is a better

way to address the most important leadership challenge: helping others develop their capabilities through more effective leadership.

MacPherson reflects on the difference between how most organizations “train” their workforces compared with A3 problem-solving. In the former, people are “sent away somewhere for a week-long session and come back having likely never practiced or rarely practiced what was learned,” he explains. With A3, people learn and are coached as they address obstacles to achieving their goals, which, in turn, contribute to the business’ progress toward achieving its hoshin objectives.

He notes that the LEI workshops he and his team have attended work the same way. “The value of this online learning with guided coaching is that we’re developing the skills while practicing; it feels almost free in terms of cost. It’s extremely affordable compared to all other forms of training I’ve found.”

On a personal note, MacPherson adds that having a coach guide – and challenge him “like the tough football coach,” as LEI Coach Mark Reich has—as he leads the Celgar Mill has pushed him to become a better leader. He compares how LEI’s approach differs compared with other consulting agencies that he says too often “check the box, get improvement, and move on.” Reich “cares enough to say, ‘no, this has to be right,’ and that’s part of the value proposition.”

MacPherson credits this coaching for helping him develop his capability to help others improve theirs. “There’s nothing more validating or gratifying than knowing you’ve actually helped somebody, equipped them with the ability to be more successful and help others to be more successful. It’s a multiplicative effect,” MacPherson says.

“It has us leaders saying this strategic partnership that’s developing between us and LEI is something that we’re looking forward to expanding and growing,” MacPherson declares. “We started with hoshin kanri, and we’re excited about where we can take this once we get through A3 [training], what might be next because we’re getting hungry, becoming better leaders, and helping the organization succeed.” ■

LEI's Co-Learning Partner and Learning Group programs are for leaders looking to transform their enterprise and contribute to the lean thinking and practice body of knowledge. You and your team will closely partner with LEI Coaches in a journey of discovery that will take your organization to the next level.

Become a Co-Learning Partner

Partner with the Lean Enterprise Institute (LEI) to accelerate your lean journey and jointly conduct experiments on the best way to advance your lean transformation. As one of a select group of companies, you'll work closely with LEI thought leaders, such as John Shook, Jim Morgan, and other top-flight LEI Coaches and subject-matter experts.

Within the partnership, LEI Coaches will guide you as you design and evaluate the experiments that will help you discover the best lean approach to address a business problem or achieve breakthrough performance. We don't come in with a cookie-cutter solution. Instead, LEI Coaches bring their decades of lean thinking, practice, and coaching to bear on the business issues you need to address and guide you through discovering — for your organization and in the specific situation — how to resolve it.

By offering targeted, immersive experiences that demonstrate the value of addressing all five dimensions of the Lean Transformation Framework, LEI Coaches ensure you and your team gain an in-depth understanding through crucial guided practice.

Join a Learning Group

LEI's most advanced partners — those who have reached the highest levels of lean thinking and practice — are invited to participate in an LEI facilitated learning group. Open only to those who have and are willing to share advanced lean thinking and practices, this learning opportunity allows organizations and their teams to learn from one another. While participants in the learning groups collectively direct the learning, LEI Coaches facilitate the meetings three to four times per year and share related learning materials.

The meetings are held on-site at a learning group company or in virtual gatherings. The learning groups are organized around a specific lean thinking and practice discipline, industry, business function, and the like.

The longest-running Learning Group is focused on Lean Product and Process Development (LPPD), bringing together partner companies interested in transforming their product, process, and service development systems. Much of this Learning Group's learning was captured in Jim Morgan's and Jeff Liker's *Designing the Future*, which LEI co-published with McGraw Hill in 2019. Who knows, maybe your lean transformation story will become part of an upcoming book published by LEI.

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About The Lean Enterprise Institute

The Lean Enterprise Institute, Inc. was founded in 1997 by management expert James P. Womack, PhD, as a nonprofit research, education, publishing, and conferencing company. As part of its mission to advance lean thinking around the world, LEI supports the Lean Global Network (leanglobal.org), the Lean Education Academic Network (teachinglean.org) and the Healthcare Value Network (healthcarevalueleaders.org).

Continue Your Learning

The Lean Enterprise Institute (LEI) offers a wide range of learning resources, all with the practical knowledge you need to sustain a lean transformation:

Learning Materials

Our plain-language books, workbooks, leadership guides, and training materials reflect the essence of lean thinking—doing. They draw on years of research and real-world experiences from lean transformations in manufacturing and service organizations to provide tools that you can put to work immediately.

Education

Faculty members with extensive implementation experience teach you actual applications with the case studies, worksheets, formulas, and methodologies you need for implementation. Select from courses that address technical topics, culture change, coaching, senior management's roles, and much more.

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Every March the Lean Summit explores the latest lean concepts and case studies, presented by executives and implementers. Other events focus on an issue or industry, such as starting a lean transformation or implementing lean in healthcare. Check lean.org for details and to get first notice of these limited-attendance events.

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A quick and secure sign-up delivers these online learning resources:

- Thought-leading content delivered monthly to your inbox.
- First notice about LEI events, webinars, and new learning materials.