Hoshin Promotion

ADVICE ON MAKING
THIS ADVANCED
PLANNING METHOD
WORK FOR YOUR
ORGANIZATION

*By Anthony
Manos,
Profero Inc.*

Since *hoshin kanri* first appeared in the late 1960s, it has become a management system for companies to establish annual policy, pass it down through their organizations and implement it across all departments and functions.[1]

Hoshin kanri is different from what most people think of as strategic planning. It goes far beyond the typical strategic planning process and implementation.

Resurgence in use

During the last couple of years, there's been a resurgence of *hoshin kanri* as a planning tool for many organizations. They are discovering—or rediscovering—the power of *hoshin kanri* and its usefulness. They are finding that with correct implementation, the tool can lead them further and faster than traditional strategic planning.

There are two main reasons for the renaissance of *hoshin kanri*: lean Six Sigma and healthcare.

With lean Six Sigma's rise in popularity, companies continue to learn more and want to continue on the lean path. They usually start with Green Belt or Black Belt projects, along with the basic building blocks of lean—such as 5S, layout, problem solving and value-stream mapping—and then move toward more advanced methods such as cellular and flow, *kanban* and total productive maintenance. After they have achieved a certain level of lean success, they are looking for additional approaches—such as *hoshin kanri*—to deploy. This is the natural progression of a lean Six Sigma journey.

Lean Six Sigma used to be a marketing advantage, but now it's a business imperative. Those who don't pursue lean may not survive. This is why organizations practicing lean Six Sigma keep looking for breakthrough strategies that will set them apart from competitors. *Hoshin kanri* can be that advantage.

In healthcare, several hospitals are looking for benchmarks and using the Baldrige model as a foundation for improvement, with many hospitals applying for the Baldrige award (or their state version of the award).

As part of section 2 of the Baldrige criteria—strategic planning—some organizations look at *hoshin kanri* as a preferred method of planning and deployment instead of strategic planning, or they are looking to improve their strategic development process. Organizations in the healthcare sector seem much more open to the idea of using *hoshin kanri* than organizations in other industries.

Getting started

Hoshin kanri is for organizations looking for a method to create a thoughtful plan for the future. In addition to helping other organizations learn and apply *hoshin kanri* principles, the company I work for has applied *hoshin kanri* principles for its own operations. Here is some practical advice and "tricks from the trenches" that might help you and your organization move forward:

1. Start small and build: There is a lot to learn about *hoshin kanri* if you want to do it properly. Over the years, we have developed our system of *hoshin kanri* that follows a process and has several forms and templates to help capture, identify, clarify, determine and rank possible projects and tasks. Our system has matured over the years.

Looking back, it would have been impossible for us to perform the *hoshin kanri* planning sessions we do today when we first attempted this approach years ago. Not only have our tools gotten better, but now our people also understand the process better. This helps reduce training and buy-in time, and allows us to focus more on the actual work.

In the late 1990s, Mike Osterling was the continuous improvement manager for a facility of Square D's, an electrical products distributor in Tijuana, Mexico. "We were about two years into our lean journey when we decided to use *hoshin kanri*. A big mistake we made was just copying the criteria from a book and using them as our own.

"Our first year was not as effective as we had hoped, but the good news is that we didn't abandon the process. We learned that we needed to create objectives that were specific to us. Each year we got better." As Square D's quality manager said, "There is no way we could have accomplished what we did if we didn't have [*hoshin kanri*]."

2. Learn the basics: There are as many ways for organizations to perform *hoshin kanri* as there are organizations, but some of the basic principles remain the same. First, *hoshin kanri* follows the plan-do-check-act (PDCA) method and is fundamentally built around PDCA. Most organizations focus on the plan phase, but to do *hoshin kanri* effectively, you must execute (do), have measurements in place (check) and perform reviews (act).

3. Do the prework: An organization entering the *hoshin kanri* planning cycle must perform prework. This is the first phase—plan—of the PDCA process. This process includes looking back on the previous year's plan and reflecting honestly on what worked and what didn't. It's not difficult to do. Remember, it's not about assigning blame, but rather about capturing lessons learned and improving your process.

4. Environmental scan: Look at possible developments in the environment that may have had an influence on the organization. An easy way to do this is to have your team brainstorm ideas about how these developments relate to different categories including: economic, social-cultural, technological, political and legal, macro-industry, resources, market, competitors and suppliers. Encourage your team to think about things that have recently happened or could happen to determine whether they could have an impact on your organization.

Figure 1. **SWOT analysis**
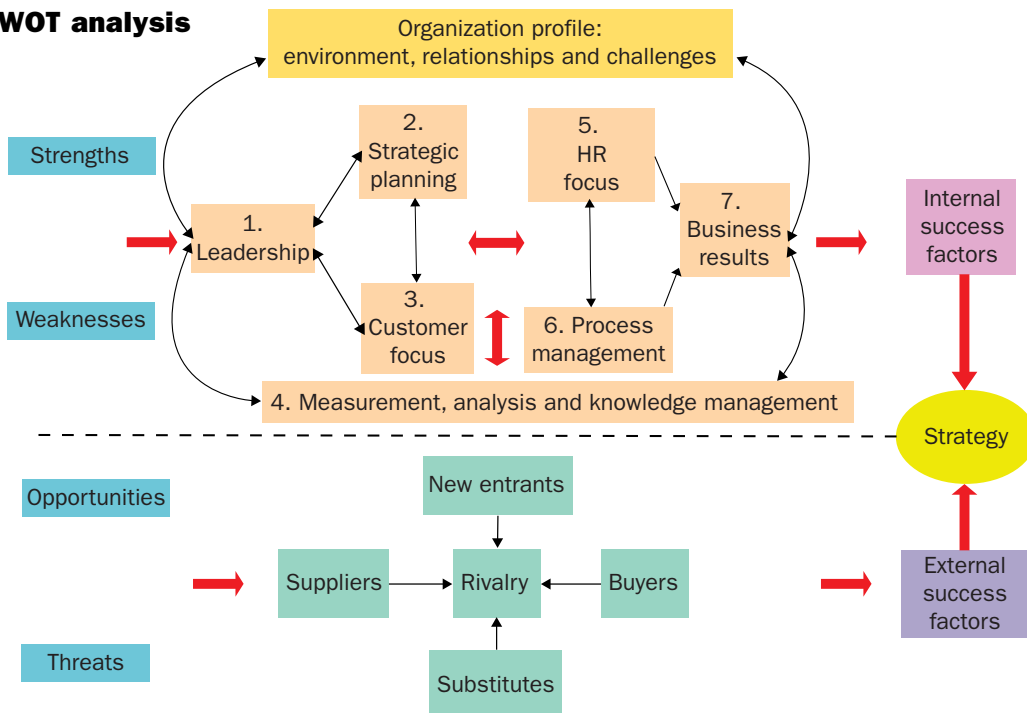
SWOT = strengths, weaknesses, opportunities and threats

Figure 2. **Gap and drivers-means-outcomes**
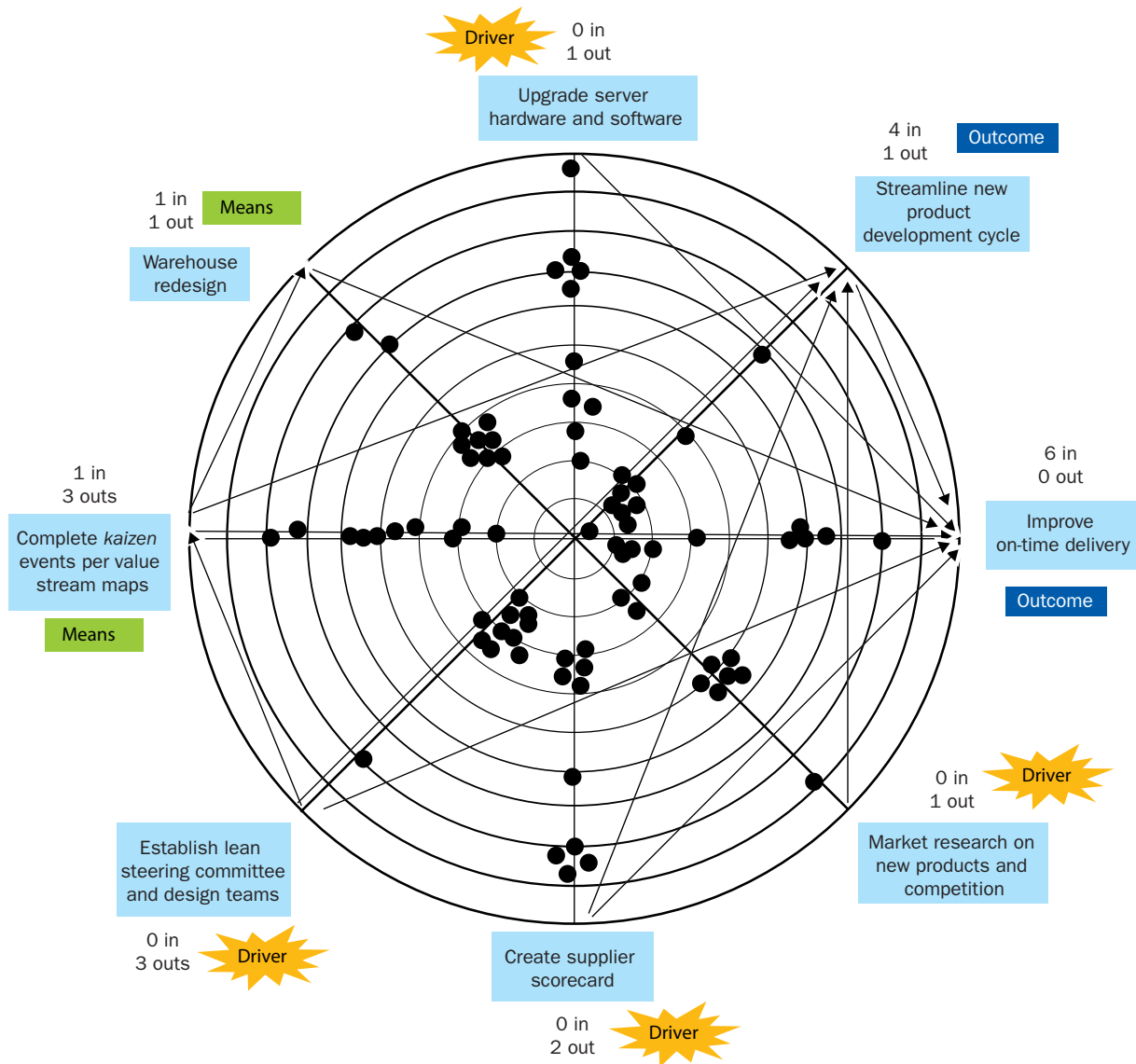
Some think you should skip this step because it's like trying to predict the future. But it is a relevant exercise that will help lead to better decisions. For example, a few years ago when we brainstormed about the economic category, we asked, "What happens if oil goes above $50 a barrel?" In recent years, oil has gone up a lot more than that, gas prices spiked, and driving habits changed.
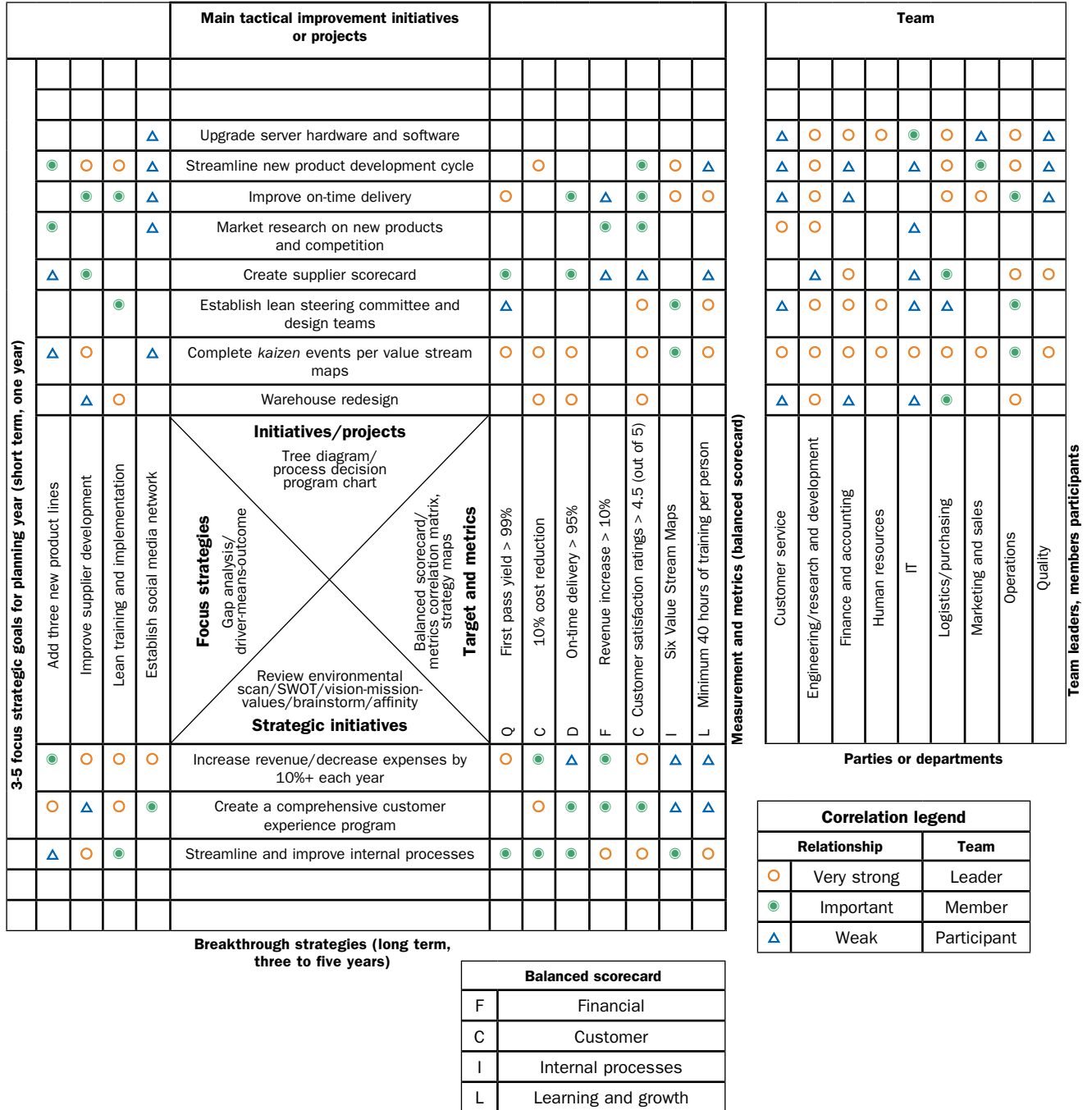
Nobody's perfect at *hoshin kanri*, but exercises such as this allows you to explore "what if" scenarios.

5. Strengths, weaknesses, opportunities and threats (SWOT) analysis. We have adopted a model that has helped us get through this a little easier, and I would

definitely recommend it for companies just starting to learn *hoshin kanri*. I created this model when I discovered organizations seem to have a difficult time performing SWOT analysis effectively:

We have employees brainstorm our internal strengths and weaknesses based on the Baldrige categories. By using this framework, it is easier for people to think of strengths and weaknesses for the organization and not individuals. Then we look at the external opportunities and threats using Porter's Five Forces diagram—as shown in Figure 1—to assist our brainstorming session. By using Baldrige and Porter's Five Forces, it is easier to get through this exercise.

Figure 3. **X matrix**

Main tactical improvement initiatives or projects

Team

3-5 focus strategic goals for planning year (short term, one year)

Main tactical improvement initiatives or projects (rows):
- Upgrade server hardware and software
- Streamline new product development cycle
- Improve on-time delivery
- Market research on new products and competition
- Create supplier scorecard
- Establish lean steering committee and design teams
- Complete *kaizen* events per value stream maps
- Warehouse redesign

Center X labels:
- **Initiatives/projects** — Tree diagram/ process decision program chart
- **Focus strategies** — Gap analysis/ driver-means-outcome
- Balanced scorecard/ metrics correlation matrix, strategy maps — **Target and metrics**
- Review environmental scan/SWOT/vision-mission-values/brainstorm/affinity — **Strategic initiatives**

Focus strategies columns:
- Add three new product lines
- Improve supplier development
- Lean training and implementation
- Establish social media network

Target and metrics (balanced scorecard) columns:
- Q — First pass yield > 99%
- C — 10% cost reduction
- D — On-time delivery > 95%
- F — Revenue increase > 10%
- C — Customer satisfaction ratings > 4.5 (out of 5)
- I — Six Value Stream Maps
- L — Minimum 40 hours of training per person

Measurement and metrics (balanced scorecard)

Strategic initiatives (bottom):
- Increase revenue/decrease expenses by 10%+ each year
- Create a comprehensive customer experience program
- Streamline and improve internal processes

Breakthrough strategies (long term, three to five years)

Team leaders, members participants — Parties or departments:
- Customer service
- Engineering/research and development
- Finance and accounting
- Human resources
- IT
- Logistics/purchasing
- Marketing and sales
- Operations
- Quality

Parties or departments

Correlation legend	
Relationship	**Team**
○ Very strong	Leader
◉ Important	Member
△ Weak	Participant

Balanced scorecard	
F	Financial
C	Customer
I	Internal processes
L	Learning and growth

6. Review vision, mission and values: After the SWOT analysis has been performed, we review our vision, mission and values to ensure they are still relevant to us and can be used to prepare top management for the next step. All this is part of the pre-work—a way to "prime the pump" of creativity and breakthrough.

7. Brainstorming: At this point, the team brainstorms ideas to address the situation: "It is five years in the future. We are wildly successful. What does this look like, and how did we get here?" By using a statement such as this, we have found that people are no longer constrained by preconceived notions of what is possible or not. They get a chance to think of things that would propel their organization past the competition. From this exercise, we group the similar ideas together in an affinity diagram and name the headers of the categories.

8. Gap and drivers-means-outcomes: In this step, illustrated in Figure 2 (p. 9), we place the headers from the affinity diagram around a large radar chart. Each team member gets 10 dots to rank the organization on the categories from zero—meaning we don't do this at all—to 10—meaning we are world class. This is relatively subjective; however, by allowing team members to place their dots anywhere they want, it becomes more of a weighted ranking. After everyone has used their dots, we have the team come to consensus on the gap between "where we are now" and "world class."

Next, we determine drivers, means and outcomes. Ask the questions, "Does A cause B, does B cause A, about the same or neither?" If A causes B, then draw an arrow line from A to B. If B causes A, then draw an arrow line from B to A. If they are about the same or have no relation, you do not have to draw a line. We go around all the categories until each one is checked.

Count the number of "in" arrows and "out" arrows. If it has all or mostly "out" arrows, it may be considered a "driver"—it drives many of the other categories. If it has all or almost all "in" arrows, then it is an "outcome"—it will probably happen if these other things occur. If it has about the same number of "in" and "out" arrows, then it is probably a "means"—a way to get there.

Looking at the gaps and drivers-means-outcomes will help us determine the new breakthrough strategy for which we're looking. A general rule is to first look at the drivers. Because every organization has limited resources, this is one of the best ways to maximize what you have.

Don't forget to consider the gaps. A large gap may give you an opportunity to make an enormous change

in your organization or an incremental change, which may give you a competitive advantage.

9. Boldly important goals (BIG) breakthroughs: After doing this, get the top management team to think BIG. What, if not accomplished, would render everything else moot? What would set the organization apart from competitors or make it truly outstanding in its industry? These become part of the strategic vision for the next three to five years or more.

Try to keep this BIG list to three to five items. The number of projects and action items increases exponentially from here. We learned our lesson by trying to accomplish too many things. It is better to stay small and complete your goals rather than have too many goals you don't do well.

10. X matrix: Populate an X matrix, as shown in Figure 3 (p. 10). This seems to be what many people focus on when performing *hoshin kanri*. This is one of many tools we use to craft our deployment plan. There seems to be many styles of X matrixes. Find one that you think would fit your organization and modify it to better meet your needs.

In our X matrix, we put the three to five-year strategic initiatives at the bottom. The top focus initiatives for the near term (one to two years) are placed in the left-hand-side boxes. Projects and initiatives for this year are placed along the top. Don't forget to put in projects that have carried over from last year and items you will be working on—regardless of whether they are part of your original plan.

Measures and metrics go on the right-hand side. We try to use a balanced scorecard approach with a mix of leading, lagging and real-time indicators—also known as key process indicators. Try using a balanced approach so you do not drive the wrong behaviors.

On the right-hand side, we also put departments or functional areas within the organization to help determine who should lead projects or be on the team.

You normally don't fill in the X matrix all at once, and it may take a few iterations to complete it. When you do compare each of the items to see whether there are any correlations between them. As a team, determine whether there is a very strong correlation, important correlation, weak correlation or no correlation.

This is another leap forward as you start to see how your strategic initiatives, focus strategies and projects, and measures and metrics are all in concert with one another. This allows all employees to visualize how their work has an impact on the strategic direction.

11. Catchball: Create tree diagrams and action plans

Table 1. **Value stream map (VSM) communication plan**

				Date reviewed:		Reviewed by:			

ID	Target audience	Key message	Desired results	Method(s) of communication	Resources required (time, people and budgets)	Leader/ point of contact	Date(s)/ frequency	Percentage complete	Effectiveness rating
Before									
1	Managers, supervisors, hourly employees	What is VSM?	Everyone has a basic understanding of VSM and its purpose	Town hall meetings, department meetings, newsletter, one-on-one	15-minute sessions each week for four weeks	George	XX/XX/XX	50%	"B"
2	Supervisors and value adders	Data collection	Select the data and how to collect it	Small team meetings	One-hour meeting each week				
3	Communication design team leader and project leader	Coordinate with communication design team	Coordinated efforts with communication design team	Weekly/monthly status meeting	15 minutes				
During									
4	Supervisors	Role of value stream manager	New way of thinking	Brainstorming session, role playing	Two-hour meeting				
5	Value adders	How you affect the value stream	Employees make suggestions for improvements	Small group meetings	20 minutes each session				
After									
6	Area employees	30-day action item list	Area employees see the status of finishing the standard work project	Posted on communcation board in department or unit	Bulletin board				
7	Area employees	Follow up with shifts on what needs to be done and has been done	Solicit improvement ideas and communcate any new changes	Short "stand-up" meetings each week	10 minutes				
8	Managers, supervisors, hourly employees	Continual improvement	Show improvements made due to standardized work (SW)	Add to agenda of monthly meeting	10-minute review				
9	Managers and supervisors	VSM plan implementation	Dedicated execution of the plan	Demonstration	SW training kit, training room				

to complete the projects and initiatives. Catchball involves tossing the information to the next level and allowing others to work on their part, and then send it back for review. A tree diagram visually represents strategies and projects down to the tactics level. This also allows us to look for areas in which we might have issues. By identifying these areas ahead of time, we can be proactive in mitigating any deleterious effects. Several organizations can attest to the effectiveness of this catchball step.

"Getting catchball all the way to the floor has been one of our biggest breakthroughs," said Deb Hohenthal, a director of Tanner Improvement Systems at O.C. Tanner in Salt Lake City. "It took training, coaching,

More Tools to Help Plan

Here are some more ideas and tools that can help take your planning process to the next level:

- **"Stop doing" list:** Create a list of the things the group or organization should stop doing. These may be projects that have failed but still linger. It may be markets to get out of or products to discontinue. It can even represent the successful implementation of projects that you do not have to work on anymore.

- **Market analysis:** A deeper understanding of your market is always an advantage when trying to set your course of action. Whatever information you have will get you started, but you might want to consider methods to improve your market research and, in turn, advance your *hoshin kanri* planning process.

- **VOC:** Voice of the customer (VOC) is an extremely important part of your planning process. In the beginning, you may choose to use your environmental scan and external opportunities and threats. As your planning system matures, you should consider adding a complete VOC program. You will find valuable insights to what your customers want or need and use these as a marketing advantage for your organization.

- **Competitor analysis:** Look at your competitors to see where they are going. You may decide to compete head on or carve out your own niche. You may discover untapped areas that your competitor is not meeting, and you can fill that void.

- **Value stream maps (VSM):** If companies are already using VSM, they should consider creating a future state map before the *hoshin kanri* planning process so the projects or kaizen events from the map can be included in the plan. Any VSMs created after the *hoshin kanri* plan and projects derived from the map should be aligned with the *hoshin kanri* plan.

- **Bowling charts:** These are simple, visual ways to report measures and progress toward goals. These are usually monthly measures showing goal vs. actual metrics with red-yellow-green (stop light) color-coding. Include an "action taken" section for red items (did not meet goal).

- **Strategy maps:** This is part of Norton and Kaplan's expansion beyond the balanced scorecard. Among other things, it is a visual representation telling the story of the organization's strategic initiatives.

- **Swim lanes:** Use swim lanes to represent the months, project leaders or areas, projects, measures or metrics, expected revenue and expenses. This may have a look similar to a Gantt chart.

- **Five-year plans:** Use these to help think beyond the current fiscal year. It helps remind you of the longer-term strategic direction that you want to take and which major projects need to be launched and when.

There are many other tools that can be used to improve your *hoshin kanri* planning process, such as quality function deployment. Add the appropriate tool when you are ready for it. Find the right tool that helps you shore up your weak areas in *hoshin kanri* planning.

—A.M.

---

contact time and us reiterating the message to make this happen."

Bonnie O'Brien, a manager with Custom Products at O.C. Tanner, knows how catchball can make a difference. "This empowered the teams to come up with great ideas and to have hands-on use of the tools."

Gary Peterson, vice president of order fulfillment at O.C. Tanner, agreed. "We decided that we really needed to improve our *hoshin kanri* process," he said. "One of the areas that we needed to get better in was how we got everyone involved in the catchball process."

12. Rollout and communication: This step is the do phase of PDCA. If you did this exercise correctly—by getting your people involved with the planning process—the rollout shouldn't be a surprise.

Still, the key is to effectively communicate plans with all employees and ensure they understand their roles in helping achieve the vision.

"It is important that we have constant communication and that the leaders understand that their priority is to provide support to the team," O'Brien said.

Create a communication plan (see Table 1) that includes the following information:

- **The key message:** What is *hoshin kanri*? What are the top-level strategies? What are the employees' roles in helping achieve the goals?

- **The target audience:** Managers, supervisors and hourly employees.

- **Details on presenting the information:** Will you hang posters, organize town hall or department meetings, write newsletters and e-mails or create a video?

- **Who's in charge?:** Identify the person leading this communication effort.

- **Monitor the effectiveness of the plan:** How effective was the communication? Did the intended audience understand and comprehend the message?

Another way to communicate is to use a visual tool. Whatever format you decide to use (an X matrix, tree diagrams, strategy maps or Gantt charts), make sure the plans are visible, readily available and easy to update and maintain.

Periodic reviews

After the planning process is complete and the teams are working on their projects, management must hold periodic reviews—the "check" phase—to see how everything is progressing—the "act" phase. As a minimum, a monthly review should be performed to make sure things are on track and management performs a full review quarterly.

Beware of the shiny object syndrome. These are things that may seem like great opportunities, but they could take you away from your focus on your plan. Sure, you can look for additional improvement opportunities throughout the year, but you need to determine how these fit in with your current plan or whether you need to modify your current plan.

If you spend too much time chasing shiny objects, a lot of resources will be expended and not put toward what you have identified as most important during your *hoshin kanri* planning process. Your *hoshin kanri* plan is not written in stone, and things can be added as needs arise. The plan is intended to help organization stay focused on what they consider most important.

Key takeaways

Here's a short list of other lessons learned:

Start small and don't bite off more than you can chew: Like many organizations, we were overly ambitious with what we thought we could accomplish. We had to take a step back, and we realized we couldn't accomplish everything on our plan with our current resources—time, people and budgets. Remember, the number of projects and action plans increase dramatically each time you add a new strategy or focus strategy for the year. Try to limit long-term strategies to three to five items.

Make it visual: Plans are not meant to stay in drawers or live in computer files. Find a location where most employees will see the plan. Have measures and metrics posted on your *obeya* wall, for example, so everyone can see how you are progressing toward your goal. An *obeya* (which means "big room" in Japanese) wall is a large wall used to post timely and useful information, such as charts, graphs, milestones, progress to date and counter-measures.

Hold regular reviews: In the beginning, you might want to schedule more frequent reviews. The project manager or sponsor should review each of the projects on an ongoing basis. Management should be performing monthly reviews of progress toward the goals. A more in-depth review should be performed quarterly. Of course, there is the annual review and preparation for the next year. Make the meetings quick and meaningful with an eye on the "check" and "act" phases of PDCA.

Have training ahead of time: It is better to have training sessions on *hoshin kanri* early in the process so people will be better prepared rather than having them walk into the planning sessions without any knowledge of the method. Each person also may have a varying degree of exposure to strategic planning or *hoshin kanri*. Set a baseline understanding of the process.

Shape the future

Hoshin kanri is a powerful tool that can help organizations shape their futures instead of just reacting to internal or external influences. The method can keep organizations on track with what they have identified as important and keep them focused on the best use of resources to reach their goals. The most effective way to get the future you want is to envision this future and continually take steps toward it. **σ**

REFERENCE
1. Yoshio Kondo, "Hoshin Kanri—A Participative Way of Quality Management in Japan," *The TQM Magazine*, Vol. 10, No. 6, 1998, pp. 425-431.

BIBLIOGRAPHY

Alukal, George, and Anthony Manos, *Lean* Kaizen*: A Simplified Approach to Process Improvement,* ASQ Quality Press, 2006.
Babich, Pete, Hoshin *Handbook*, Total Quality Engineering Inc., 2006.
Cowley, Michael, and Ellen Domb, *Beyond Strategic Vision,* Butterworth-Heinemann, 1997.
Jackson, Thomas L., Hoshin Kanri *for the Lean Enterprise,* Productivity Press, 2006.
Kaplan, Robert S., and David P. Norton, *The Balanced Scorecard: Translating Strategy Into Action,* Harvard Business Press, 1996.
Kaplan, Robert S., and David P. Norton, *The Strategy Maps: Converting Intangible Assets into Tangible Outcomes,* Harvard Business Press, 2004.

WHAT DO YOU THINK OF THIS ARTICLE? Please share your comments and thoughts with the editor by e-mailing godfrey@asq.org.