



## TenStep Supplemental Paper

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### **Hoshin Kanri...The 'Guiding Light'**

Does your company:

- Have an ambitious strategic plan that is the best-kept secret in the company?
- Keep rolling out the same business plan every year and continue to achieve little or no progress?
- Have improvement projects, which unfortunately work in several different directions?
- Have a plan but never check on the progress?
- Conduct review meetings that seem to last forever but accomplish nothing?
- Manage more by opinion and perception rather than by fact?

#### **Understanding Hoshin Kanri**

If one or more of the above behaviors are evident in your organization, consider the Japanese concept of Hoshin Kanri. Hoshin Kanri, also known as Hoshin Planning or Policy Deployment, has been used in a few Western companies to bring a strategic focus to the everyday work environment. The Japanese define Hoshin Kanri as a planning, implementation, and review system for managing change. In addition, it is a policy deployment framework for a successful Total Quality Management (TQM) program.

The words Hoshin Kanri roughly translate to mean “policy management,” although this translation misses many of the subtleties that are expressed in the Japanese phrase. More accurately, the word Hoshin refers to a shining metal compass pointing out the way forward, while Kanri refers to management or control.

In its simplest form, Hoshin Kanri can be described as a system of forms and rules that encourage employees to analyze situations, create plans for improvement, conduct performance checks, and take appropriate action. In practical application, it is a philosophy of how to manage people and processes to lead the organization towards its vision and goals.

#### **The birth and growth of Hoshin Kanri**

The development of Hoshin Kanri was heavily influenced by the introduction of Management by Objective (MBO) into Japan. Hoshin Kanri improves upon the MBO strategy by taking it one step further. Instead of just focusing on results, like MBO, Hoshin Kanri puts the focus on processes.

Many Japanese companies, such as Toyota, Komatsu Manufacturing, and Matsushita, have been utilizing Hoshin Kanri based strategies since the 1960s. In fact, many of the Japanese Deming Prize winners have credited Hoshin Kanri with being one of the key contributors to their business success. Likewise, US companies such as Hewlett-Packard (HP), Xerox, Intel, and Procter and Gamble, have also adopted Hoshin Kanri in their strategic planning process. In 1982, Hewlett-Packard won the Deming prize and the



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success of Hoshin Kanri in this organization ultimately led other companies in the HP Group to adopt it. Most Malcolm Baldrige Award winners also use Hoshin Kanri in some form.

### **The similarity to PDCA (Plan-Do-Check-Act)!**

Industry experience proves that the fundamental prerequisite for Hoshin Kanri is a successful TQM system with standardized business processes. Hoshin Kanri is also closely linked to the Plan-Do-Check-Act (PDCA) cycle in conjunction with basic quality tools.

The Hoshin framework is made up of four phases similar to the PDCA cycle. The entire process is also designated as 'F-A-I-R'.

1. It begins with the **Act stage**, where senior company executives, along with general managers, revise the company's corporate strategy. This is termed the '**Focus**' phase of Hoshin Kanri, where a few vital strategic objectives are determined for the company.
2. Next is the **Plan stage**, termed the '**Alignment**,' when the select few vital objectives are rolled down cross-functionally within the company to each division or business unit. The divisions work to develop the plans necessary to meet these objectives.
3. The **Do stage** is the '**Integration**' of these plans into daily management and project working.
4. The **Check stage**, known also as the '**Responsive**' phase, refers to the management of the strategic objectives in the processes of daily working. It involves both daily and periodic reviews of the work in progress. While the processes should be continually monitored, and modified as necessary, a major quality audit is conducted annually. Information from these ongoing reviews and the yearly audit is carried forward into the next business planning cycle as the process starts over again at the **Focus phase**.

### **Understanding 'FAIR'**

#### *Focus*

The corporate strategy processes associated with companies that utilize Hoshin Kanri consist of six elements. They are:

- Vision
- Mid-term objectives
- Voice of the customer
- External conditions
- Internal conditions
- Progress

In the Hoshin approach, there is a corporate vision statement that helps to concisely establish the values and long-term goals of the company. There is also a mid-term plan,

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which translates the vision of the company into objectives for a maximum period of three years. These are considered along with the current and anticipated needs of customers. This is done as directly as possible so that the 'voice of the customer' can be translated in terms of quality, cost, delivery and employee-related targets. While the external conditions refer to audits of both the partners and customers, the internal conditions refer to the internal capabilities and competencies of the organization. Progress refers to the feedback on the previous Hoshin cycle.

This phase of the cycle differs from conventional practices of reviewing and revising corporate strategies on a yearly basis. Emphasis is placed on the selection of just a vital few objectives, generally not more than four, all of which are vital if the corporate mid-term objectives are to be achieved.

### ***Alignment***

Once the vital company objectives are chosen, business unit managers must align them with their own division objectives and determine what is required to accomplish them in terms of budget and effort. They must also be aware of other priorities within their division and work to balance these objectives with the vital company objectives. This involves the iterative deployment of a few critical objectives in the form of policies, or Hoshins. A Hoshin is a combination of a statement of strategy (called an objective), a statement of the means to achieve this strategy, and a statement of how performance is to be monitored (called a target). Typically, a Hoshin is passed from one level of management to another, where subordinates or managers in other functional areas will translate their part as a sub-Hoshin, with its own strategy, means, and targets. These Hoshins trickle down through the entire organization. It is not uncommon for the deployment process to result in up to three sub-Hoshins.

This process is also termed *catchball* because it resembles 'ball' being passed back and forth. Discussions are held to discuss the practical issues of implementation and the reasonable strategies and means to achieve the goals. These discussions do not focus much on *what* must be achieved in terms of a Hoshin, but on *how* the Hoshins could be achieved. A crucial question that arises is: 'How can we realistically achieve Hoshins considering the competencies and capabilities of the organization?' Thus, the 'ball' is passed back and forth until general agreements are reached. The process is cross-functional and often time-consuming. During the process, various managers must agree on the ownership of objectives and performance criteria, the key strategies involved, and accountability.

### ***Integration***

Upon completion of the catchball process and agreement on the Hoshins, implementation plans are drawn up (the company's overall annual plan is sometimes referred to as an integrated business plan). These plans give a clear overall idea of the critical paths involved, along with specifications of the key activities, who is responsible for them, their targets, and associated time-scales. This information is then communicated to the

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employees. When a Hoshin does not integrate effortlessly into daily work activities, special project teams are utilized to facilitate the process.

### ***Responsiveness***

This phase involves the daily control of processes, along with the periodic progress checks to identify and address chronic problems, critical issues, and the resultant standardization of solutions. Thus, Hoshin related targets are reviewed and, if necessary, revised on a continuing basis through the general PDCA practices of daily management. Persistent problems may require Hoshin budgets, targets, or even the policy itself, to be reworked and modified.

Towards the end of this phase, information is gathered from the periodic reviews for feedback to senior management. This information is carried into the next focus phase, which starts the annual cycle all over again.

### **A sample Hoshin process:**

Here is an example of the goals set at various levels of an organization through Hoshin Kanri:

<b>Level</b>	<b>Goal</b>
Corporate	Delight the customer
Department	Reduce cost of poor quality
Maintenance	Reduce machine failure by 25%
Manufacturing	Less than 2% defect
Delivery	Less than 8% late deliveries

### **How to implement Hoshin Kanri:**

- Define both short-term and long-term goals of the organization.
- Identify the measurable goals.
- Decide the critical processes that should be involved in achieving these goals.
- Ask various departments to agree on performance indicators at appropriate stages of the process.
- Challenge employees to continuously improve the various processes.

Organizational goals must be measurable to allow employees to realize and visualize the importance of making improvements.

Hoshin Kanri is an excellent method for improving communication within the organization. It works on both a strategic planning level and an everyday level to make



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certain that all levels within the company are aware of the major goals of the organization and are implementing processes to successfully to achieve them.