Hoshin Kanri

Idea In Short

Hoshin Kanri is a strategy implementation and governance framework that helps ensure consistent strategy implementation across an organization. This framework helps steer actions and drive progress at every level in an organization towards its strategic goals. The Japanese Professor Yoji Akao developed the Hoshin Kanri management technique in the 1950s. This is visual planning tool helps identify key focus points, drive progress at every level with shared responsibility and support towards an organization's overarching mission, vision, and values. This framework actuates leadership at all levels in an organization.

Origin

'Ho' Stands for method or form. 'Shin' stands for *shiny needle*. *Hoshin* stands for *compass. Kanri* could be translated as Planning or Management. Translated from Japanese, "Hoshin Kanri" means *compass management*; you can use Hoshin to give direction on where you want to go to, where the aim is to do the right things:

> do the right things right

Hoshin Kanri was born in the aftermath of World War II when Japan faced enormous infrastructural damage and had to begin a long and difficult process of large-scale reconstruction. Professor Yoji Akao popularized this framework in Japan in the 1950s. Toyota widely uses Hosin Kanri and many business authors attribute Toyota's success to this framework. Toyota uses Hoshin Kanri to give direction on where they want to improve. Employees at various levels can exchange ideas about Hoshin items, and potentially get them approved by higher management. This approach makes results stronger and increases buy-in from the employees who contribute upfront. Hewlett-Packard1 also adopted this management technique, which played a significant role in its rise to fame.

Hoshin Kanri Effect

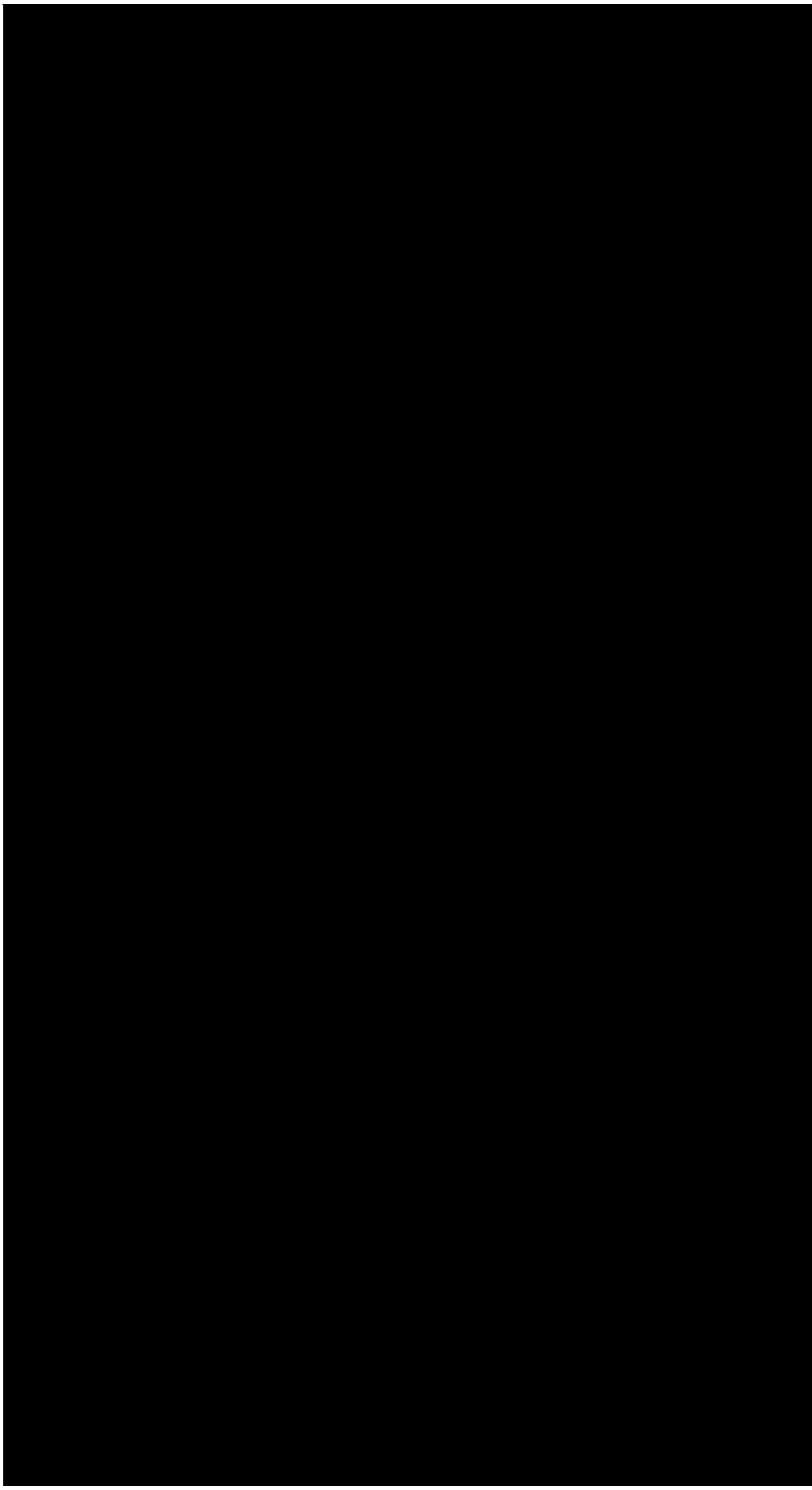
Today, companies see wide advancements and dynamics. Hence, it is very crucial for every contributor to be *engaged* in the organization's vision and direction. In other words, leaders and managers should ensure that they succor their direct reports' buy-in. Hoshin Kanri is a strategic planning tool that allows companies to define their strategic vision. This brings down the cost and drives value to the client. Too many projects lead to staff burnout and generate waste through context switching, resulting in delays and fewer projects completed at the end of the year. As a result, the:

1. Organization fails to meet its annual goals
2. Staff is not aligned toward the objectives, or
3. Ensuring all stakeholders are fully aware of their roles and responsibilities and assigned tasks

Hoshin Planning enables cascading a strategic direction at all levels of a company - from the CEO, right down to a front-line employees - while outlining communication pathways and governance to successfully monitor that organization's course and direction.

Seven Steps of Hoshin Planning

There are 7 crucial steps that bridge the gap between strategy and execution.


Hosin Planning

Define Mission, Vision, and Key Metrics

The technique starts by setting the big picture - vision and purpose. It covers a lot of aspects, such as the business purpose, stakeholders, importance of success to the organization, how success is measured, and how to get to know when the organization achieves its goal.

Developing Strategic Objectives

This phase encompasses the need to bring those changes that will help everyone in the organization realize the vision. Ideally, less than 5 objectives are adequate. As we have already generated the key focus areas for these changes, the strategic objectives could look like:

- Launch 3 new product features
- Be the game changer for clients
- Expand to a new regions or markets

Tools, such Four quadrants of growth, Bowman's Strategy Clock or Ansoff Matrix, can help articulate these objectives.

Set Annual Objectives

To accomplish the above objectives, an associated timeline is required. This time frame could be 1 year, 30 days or 6 months. Annual goals must be set up and they should be SMART. To track the team's progress, you should be using KPI for each objective. This is the left-hand side of the chart on the Hoshin Kanri matrix.

Deploy Annual Objectives

Once the annual objectives are established, they are broken down into smaller and more actionable tasks. Then, these tasks are cascaded across every team and department. Their inputs and feedback help revise the annual strategic objectives and understand the requirements to achieve these goals. This is the top section of the Hoshin Kanri matrix. At this step, an iterative refinement system, called a *catch ball*, is used. The catch Ball technique comes from baseball, where the players pass the ball from one to another with a strategy till they achieve their goal. Similarly, in an organization, vision and objectives are deployed from:

- top to middle management
- middle management to departments,
- departments to section managers, and
- section managers to associates

This cascading is not strict, as employees could suggest objectives and their feedback helps fulfill the vision of an organization and its strategic goals.

Implement Annual Objectives

The appropriate way to execute your objectives will be required to rely on improvement strategies. This will cover everything that helps in deploying annual objectives.

Monthly review

To not let the strategy stagnant there has to be a monthly review system that everyone is on the same page. Once the information starts coming from production, it starts flowing to the strategic leadership team. This is a continuous improvement process as the PDCA tool is used between this and the previous step.

- PLAN: plan an experiment and forecast what the results will be
- DO: implement the plan
- CHECK: validate the hypothesis
- ACT: if successful, standardize the experiment results and restart the sequence

PDCA requires continuous and constant effort. It will help achieve the strategic objectives on or before time.

Annual Review

After completing 12 months of progress, it's time to analyze what is accomplished and missed. This is a learning process and helps you to understand what could be done better next time, for this Hoshin Kanri catch-ball flow, is used.

How to make the Hoshin X Matrix

A visually appealing and seemingly complex tool used in Hoshin planning is called as Hoshin Matrix. This X matrix has many fields that are arranged in a compass-like structure (North-South-East-West). You can recall the origin and why it is called Compass Management.

The formation of this matrix from the bottom, the south, focused on long-term goals. When these goals for the long term are set, they must be oriented toward the vision, company policy, and where the company wants to go. For example:

- Goal 1: Supporting sustainable initiatives
- Goal 2: Innovate to become no.1 Player in the industry

West End

On the West end, you mention all the annual objectives, specifically long-term objectives. You must question what you want to accomplish this year. This could be macro or micro like:

- You want to improve the efficiency in the manufacturing line
- Increasing sales by 30% annually
- Launching 3 new products to expand the product line

North End

On the North end, you list all your top-level priorities. All the activities have to be done to ensure every annual objective set on the west end is met. Since this will be requiring various departments to work in the same direction. For example:

- Revamp the marketing strategy
- Change the sales strategy
- R&D will come up with an innovative product

East End

On the east end, all key performance indicators will help in measuring the completion of milestones for fulfilling the objectives and top priorities. For example:

- Time to market new feature
- Increase in demand and sales
- Process or strategy optimization

Far East End

On the far east end, the resources or the departments are mentioned with top-level priorities entitled to them.

Case: Xerox

Xerox (UK) is the sales, marketing, and support subsidiary of Xerox Ltd. It is based at Uxbridge, employs over 4000 people in 50 locations, and generates annual revenue of about £0.7 billion. Since 1993 Xerox has been structured into four Business Development Units based on office document systems, office document products, document production systems, and printing systems. These units have responsibility for the development of product ranges to their final bringing to market. In the units, business processes are organized around target customer groups rather than specialized functions. There are functional specialists, such as quality managers, distributed throughout the business units. They keep in contact with each other through specialist networks organized by the center. In the case of the quality network, this meets quarterly at the Centre and is administered by a Quality Office, whose manager is responsible to the Director of Group Resources (as are all the managers of these networks). There is no organizational box for the networks but the idea is that these specialists should talk to and learn from one another. Thus, the networks are self-organizing and will set up subgroups to work around subjects of common interest as the occasion demands. The Centre does not tell a network what to do, but they are considered by top management to be an important part of the facilitative architecture of the organization. The networks serve to facilitate where:

> the real decisions get made; we will go to the board to get a final decision on something, but in terms of all of the work, that gets done via the networks

Vision

Xerox Corporation sets the Vision and Business Goals: these are then taken and adapted by the companies in the Group. The Vision is a statement, which shows the desired state. This shows Xerox wanting to achieve success by enabling its customers to be more productive.

> The Document Company Xerox (UK) will be the leader in the Global Document Market, by providing Document Solutions that enhance Business Productivity

In 1998, Solutions replaced Services to provide a more customer-centered and less product-oriented statement.

Business Goals and Direction

To progress towards this vision, Xerox sets corporate-wide goals to help it measure its performance.

These have remained the same since 1990.

1. Customer Satisfaction
2. Employee Motivation and Satisfaction
3. Market Share
4. Return on Assets
5. Few vital programs to reduce customer dissatisfaction and thus minimize revenue losses for existing customers

Develop Annual Objectives

Xerox develops annual objectives through:

1. Blue Books
2. Roles, Responsibilities, and Objectives

Blue Book

The alignment of the vital few programs at a local level in the business units and teams begins with the distribution of documentation known as the Blue Book and the Employee Guide to Policy Deployment. This goes to the unit quality managers at the beginning of the year. This 'book' is primarily intended for managers since they have the responsibility for cascading the information it contains about the vital programs to their teams. There was also a section that covered the key business activities and policies of each of the major business units. Finally, there was a section that clarified the role of managers in communicating the programs to individuals and teams. Unit and team managers are expected to produce a local translation of the book so that it includes local objectives, and these are issued to individuals to keep by them in their work.

Roles, Responsibilities and Objectives

The Blue Book is translated for every employee as the Employee Guide to Policy Deployment. This is designed as a folder and concisely explains policy deployment. Individuals may attach their team or their personal, RRO which summarizes their role in contributing to the vital few.

Deploy Annual Objectives

The alignment process begins with Start Year meetings when managers explain the Blue Book to their units and teams. At any of the six customer business unit meetings, there may be up to 400 people present, though for smaller units it will be fewer, as would be the case of the quality office that has only 35 people. Each senior manager will have line managers reporting to them and after the start-up meetings, they will go through it again with their teams, and so on until everyone has been involved. All these subsequent meetings usually occur throughout January intending to finalize the local Blue Books and RROs by February, though teams are likely to begin working on the programs before the documentation is finished.

Catch Ball

When units and teams first work out a program like this it is provisional. This is because the full implications have to be worked out by a process of iterative communication with other units and teams affected by the unit's program. Catch ball continues until a consensus about what can be achieved is reached. At Xerox, this alignment activity is not called catch ball but it is known as deployment. The discussions are not about the correctness of the purpose of the corporate vital few programs, but center on the practical issues about how to achieve them. At Xerox (UK) catch ball is confirmed as an informal process, which is embedded in knowledge of everyday working.

Integration

The essence of Hoshin Kanri is that people should work on those activities in their daily work which are vital to strategic success. This is not simply a question of how the vital few programs are deployed but is also about how they are managed day-to-day. It means that daily processes must be managed in such a way as to ensure that they are under control. Thus, TQM is fundamental to daily management.

Periodic reviews

There are three levels of management review. The first two are in essence similar to management meetings anywhere and apply at two different levels: the business unit level and the company level. Thus, each business unit has a management team that does a monthly management review where short-term action is sanctioned. At Xerox (UK) the quality managers own these to ensure that they are happening and that the right things are being reviewed. There is also a similar meeting at the center where the Managing Director and his team (heads of units, network heads) review progress overall. Both these forms of review concern general matters and are not solely about the vital few programs. There is also an Operations Review and this is entirely centered on the status of the vital few. Senior managers review performance every quarter with each unit's general manager and staff. The agenda is a standard one aimed to achieve consistency in strategic direction

Advantages

1. The strategy is focused on the action, not just the number of hands on the table
2. Improved organizational alignment
3. Enhanced ownership and engagement across all functions
4. Easier decision-making and consensus among all team members
5. Widespread awareness and every task are solution-oriented

Open in RSVP Reader

Summary

Hoshin Kanri is a strategic framework that involves 7 steps to formulate a companywide strategy that is distributed across all the team members at all levels to ensure short-term and long-term visions are achieved promptly.