

What is Hoshin Kanri?



What is Hoshin Kanri? A question which is frequently asked, and this is your guide to everything you need to know about the methodology.

From Hoshin's origins and the seven steps of execution to its common fail points, resources and more, this is the definitive answer to 'What is Hoshin Kanri?'

What is Hoshin Kanri?

Hoshin Kanri is a process that organizations use to develop their long-term strategy into concrete plans, and then execute that strategy over time.

"If you don't know where you are going, you'll end up someplace else."

Yogi Berra

What is Hoshin Kanri?

Hoshin Kanri means "policy management" in Japanese.

The characters use elements of the words 'compass' and 'direction'.

Here is an obvious implication that you need to know where you are going, and a map to get there.



In times of hyper competition, environmental challenges, shifting political landscape, and ever-transforming technologies, you may be wondering why you should talk about planning, maps and direction.

We are in uncharted territory, right?

However, it is in conditions like these that tight control of both planning and execution is necessary to both survive and thrive.

It is in times like these that your whole organization needs to pull together, committed to a method, moving in the same direction.

Hoshin Kanri is that method, and the purpose of this blog is to explain why and how it can help your organization go from surviving to thriving.

What is Hoshin Kanri?

Where did Hoshin Kanri come from?

Hoshin Kanri arose out of the Lean movement in Japan in the 1950s and was quickly adopted by companies in both Japan and the United States, including Toyota, HP and Xerox.

It has been adopted by many companies since then, sometimes under different names, such as Hoshin Planning or Goal / Policy Deployment.

The most sophisticated companies using Hoshin Kanri have built it into a full Business System, encompassing Hoshin Kanri and Continuous Improvement principles to manage their businesses, such as Danaher and Ingersoll Rand.

What you need to know about Danaher's Business System

Originally known as the Danaher Production System, it was based on the best Lean practices that were coming out of Toyota in Japan in the mid-1980s. The focus was to build competence in Lean for the next 15 years, driving waste out of the system, and implementing a toolbox of continuous improvements for every facet of the production environment.

In 2001, the logic of the Lean approach extended to growth opportunities, and Danaher built a similar toolbox to enable the company to be just as rigorous in sales and marketing as they had previously been in production. The toolbox was not a static one and was continuously refined and improved over the years as part of the Kaizen philosophy. In 2009 a third area was added - Leadership. The combination of Lean, Growth and Leadership provided Danaher with a complete "Business System".

You may wonder why you haven't heard about it much. One reason is that companies don't always call it Hoshin Kanri - they tend to change the terminology to fit their organization.

A more interesting reason is that many companies see it as their 'secret sauce' that drives their competitive advantage over the long term, and thus won't share it widely.

For the ultimate guide to Hoshin terminology, [read our jargon buster here](#).

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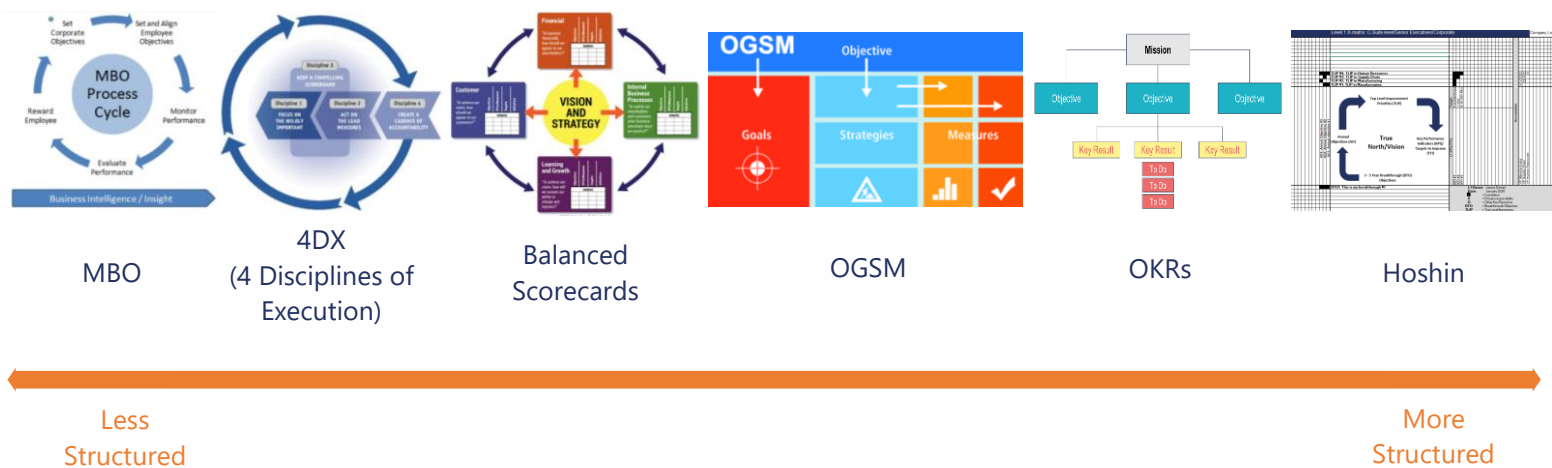
So, what makes Hoshin special?

Hoshin Kanri is one of many methodologies that has arisen from Peter Drucker's Management by Objectives (MBO).

These varying methodologies include:

- OKRs (Objectives and Key Results) which is popular in tech circles
- OGSM (Objectives, Goals, Strategies and Metrics) which is popular in retail, leisure and entertainment, and
- Hoshin Kanri, which is popular in manufacturing and in large conglomerates, where both central coordination and unit autonomy are prized.

Grading methodologies by their structural rigor



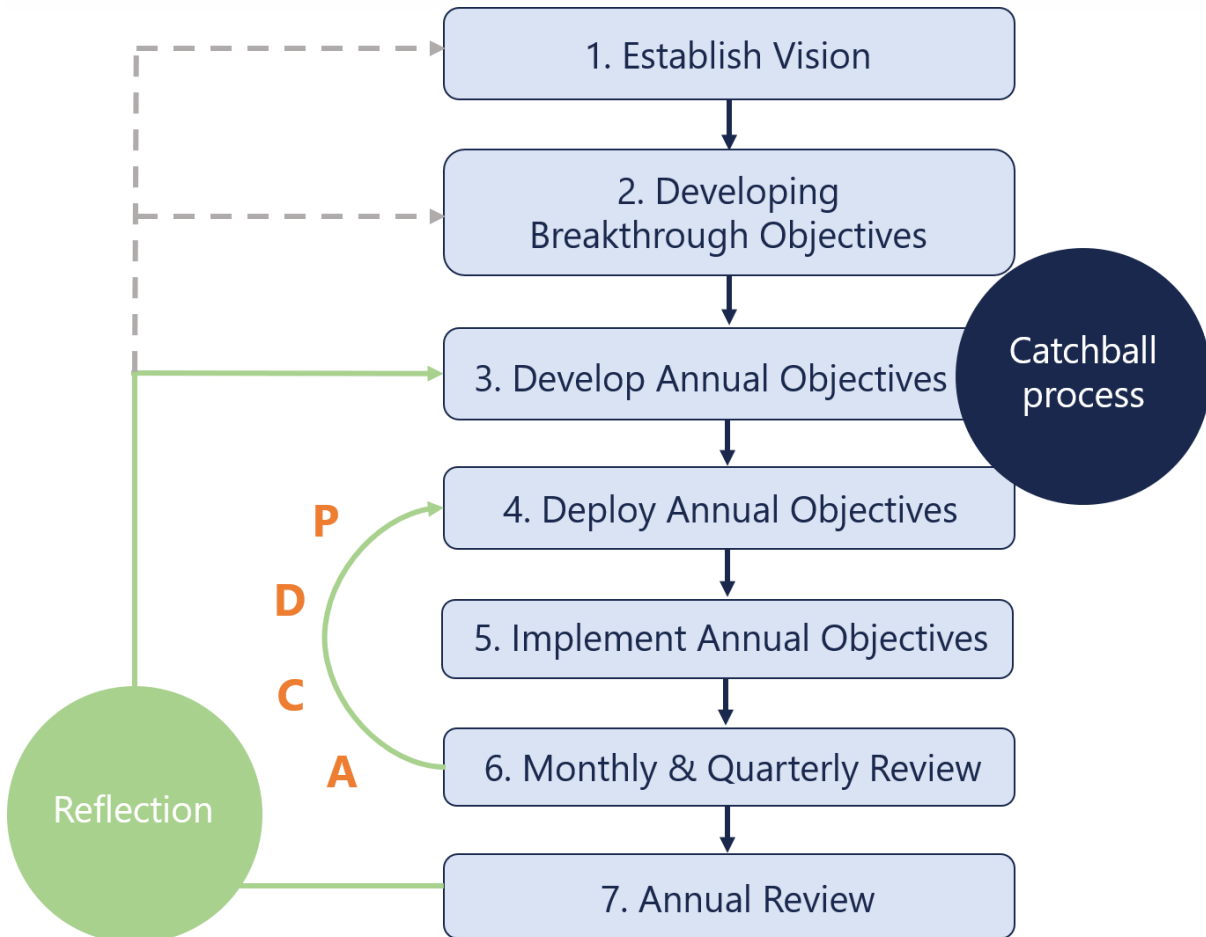
Hoshin Kanri is recognized as the most structured of the MBO methodologies, and has several characteristics which make it unique:

- It requires planning in multiple timeframes, from long-term to immediate actions, with direct links between each timeframe
- It enables coordinated planning across organizational boundaries
- Planning is both top-down and bottom-up, building both company-wide and individual commitment to the plans
- It requires measurement of success using both lagging and leading metrics
- Where difficulties arise in meeting targets, it provides a framework for resolving them.

What is Hoshin Kanri?

What are the seven steps of Hoshin Kanri?

Hoshin Kanri involves planning and execution in an iterative seven-step process.



The first four steps involve planning through a process of catchball; the last three involve execution and review, as detailed below.

Steps 1-4: Hoshin Planning

The process is designed to ensure the right people are engaged at the right time to make the right choices.

It is resource intensive by design, creating commitment and alignment.

1) Setting the True North (a Vision) Breakthrough Objectives

It starts with the company's True North, its long-term vision for the company's future – this is based on goals, long-term, and flows from your mission, it is the where you

What is Hoshin Kanri?

want the business to be and what that will look like.

2) Developing Breakthrough Objectives

Here, you must ask the question:

"Which three Breakthrough Objectives do you need to achieve in the next three years to help achieve that vision?"

Answering this question already requires a huge amount of discipline and focus, because even the most resourceful companies cannot do everything.

Choosing what *not* to do at this stage is crucial to success.

The timeframe is also important: three years is enough time to create a major change with reasonable operating assumptions about the future environment.

Hoshin Kanri then asks the following two questions:

"Who is accountable for achieving each Breakthrough and how will success be measured?"

It is important even at this early stage that a named individual is listed (usually a member of the leadership team), and that it isn't assigned to multiple individuals or groups.

A key principle of Hoshin is that accountability needs to rest with a single person.

That person needs to be chosen because they are the best person for the job, not because of their role, seniority or place in the organizational structure.

3) Annual Objectives and Improvement Priorities

i) Annual planning

The next question requires another set of choices:

"For each Breakthrough Objective, what three Annual Objectives need to be achieved in the next year to ensure success of the Breakthrough?"

Focus, accountability and measurement are again the key elements to be agreed.

What is Hoshin Kanri?

ii) Quarterly planning

This is where the rubber hits the road, so to speak.

There is ample evidence now from research that the three month or 100-day planning horizon is most appropriate for meaningful action within organizations, and Hoshin Kanri has it built in.

In Hoshin, quarterly targets are typically called Improvement Priorities.

Such targets may need to be agreed at a division level, and then devolved to units or teams to do the detailed daily or weekly plans.

The further down the organization that the plan is devolved, the more time it takes but also the more confidence and commitment to the plan.

4) Catchball

"Unless commitment is made, there are only promises and hopes; but no plans."

Peter Drucker

Hoshin Kanri uses a unique process called catchball to engage all accountable owners early on.

Unlike in other strategy cascades, all accountable owners at every level must be part of the process at the earliest stage so that they:

- Understand their brief
- Have time to question it
- Consult with their teams
- Calculate the resource implications
- Modify the objective as necessary
- And only then commit to delivering it.



What is Hoshin Kanri?

The process of creating alignment and commitment across all involved in delivering the plan means that when the time for execution comes, it can be swift, efficient, and well-coordinated.

For an overview of the catchball process, [read our explainer here](#).

Steps 5-7: Hoshin Execution

"Plan your work and work your plan."

Napoleon Hill

5) Implementing Annual Objectives

Unlike other methodologies, Hoshin Kanri does not assume that because you plan, everything will go smoothly. This is where having the plan in place with well-understood targets and accountable owners really makes a difference.

6) Monthly (and Quarterly) Reviews

Hoshin Kanri applies the Plan-Do-Check-Act cycle. Regular weekly and monthly reviews check where the plan is off track. Any deviance from the plan requires immediate action.

These reviews can be intense affairs if targets are ambitious (as they should be). Creating a countermeasure culture where problems can be discussed openly allows remedial actions to be identified and acted on quickly.

At each quarter, reviews take on a different flavor. They simultaneously ask "are the plans on track?" and "are they still the right plans to achieve the Annual Objectives?". Wider organizational and environmental factors are brought into the conversation, and adjustments are made accordingly.

7) Annual Reviews

Annually, Hoshin Kanri entails a review of the year as well as a review of the Breakthrough Objectives, and adjustments are made before the process begins again.

What is Hoshin Kanri?

Is Hoshin appropriate for my organization?

Hoshin Kanri principles and methodology [can be applied in any organization, in any sector, at any level.](#)

Teams, plants and divisions have enjoyed success using it separately from the wider organization they are part of, and large multinationals which have used it across the whole organization.

It is important, however, to understand what your organization is capable of right now and introduce elements of Hoshin according to your immediate needs first.

Here is a top line approach to which elements of Hoshin Planning will best help your organization:

- 1. Focus**

If your biggest pain point is focus, using the Hoshin methodology to narrow down your strategic choices is a great starting point.

- 2. Goals**

If your organization is poor at setting measurable targets, Hoshin provides a framework to develop these.

- 3. Confidence**

Many of the organizations I have worked with started with leading measures around their plans, such as milestones achieved, to build confidence around targets.

- 4. Alignment**

If you are struggling to create alignment around a plan of action, the Hoshin catchball process may be the best place to start.

Bringing teams together for short sharp workshops around Breakthrough or Annual Objectives can create motivation and momentum to overcome resistance.

- 5. Momentum**

If you have a good plan but your team loses focus after launch, the Plan-Do-Check-Act review process is a good way to change the culture around execution.

No organization can change the entire way they plan and execute their strategy overnight. And any change encounters resistance.

The lesson is to pick your battles wisely, deliver some quick wins, and then connect the dots afterwards.

What is Hoshin Kanri?

How can I facilitate Hoshin in my company?

Hoshin Kanri facilitation training is provided by a few companies including [Kaizen Institute](#) and [Lean Methods](#).

They will teach you how to facilitate the key planning meetings and monthly reviews, and introduce the standard Hoshin tools used by practitioners.



The Hoshin toolkit includes:

1. **The X-Matrix**

A visual planning tool that allows you to decompose your Vision into the Breakthrough Objectives, Annual Objectives, Improvement Priorities, Targets and Accountable Owners.

This tool takes time to learn but is unparalleled in its ability to quickly see if the plan holds together down through the planning levels.

2. **The Action Plan**

A programme or project planning tool that helps you determine if your plan is achievable by listing out the key milestones and the impact each milestone should have on the monthly targets.

3. **The Bowling Chart**

A visual execution tool which helps you track monthly or weekly all the key targets your organization is trying to achieve.

4. **The Countermeasure Report**

A reactive tool that helps you plan your way back to target compliance.

What is Hoshin Kanri?

Common hurdles to overcome when executing Hoshin

Hoshin Kanri is a process that goes to the heart of your organization's people, processes and culture.

Naturally, you will encounter obstacles in implementation, and failures.

Common barriers include:

1. **Resistance to accountability**

At any level of an organization you might find a senior executive, middle manager or team member who is resistant to hard and fast targets. Senior sponsorship is vital to overcoming opposition.

2. **Process and commitment conflicts**

Budgeting, senior leadership meetings and company-wide conferences are all interfaces with the Hoshin Kanri planning and execution cycle. Taking the time to 'make it fit' will alleviate unnecessary conflicts.

3. **Fear of failure**

In many companies, failure to meet target is career limiting.

In Hoshin, it is considered a learning opportunity – unmet targets need countermeasures, not criticism.

It takes considerable senior leadership to build a culture of trust in an organization that is rife with fear of failure.

4. **Inconsistent, incorrect data**

Targets need to be measured against clean, real-time data in your organization sourced from multiple systems, and progress needs to be measured in a clear, consistent way.

Organizations with Programme / Project Management Offices or Continuous Improvement Centres of Excellence may already have clean data sources and standards in place, but for those that do not, building this capability is paramount.

What is Hoshin Kanri?

Achieving success with Hoshin

As Leonard Bernstein put it, "To achieve great things, two things are needed: a plan, and not quite enough time."

Hoshin Kanri allows you to create - and quickly amend - a watertight plan across your organization and provides the clarity and commitment to quickly drive it through to fruition.

It is not just a process or culture, but indeed a 'secret sauce': a way of thinking about strategy that can transform the fortunes of organizations which deploy it. By building the Hoshin culture through quick wins, you can start the journey towards better Strategy Execution today.

Continuing your Hoshin journey

The next step in your Hoshin Kanri journey can take many forms, but we recommend expanding your knowledge with our extensive library of Hoshin Kanri resource.

We recommend our Hoshin Kanri eBook for your next step. This eBook explores the elements of Hoshin Kanri as a strategy deployment methodology, detailing the types of companies using it, addressing two hugely successful businesses, and reveals how Strategy Execution software can be leveraged by your organization to succeed with Hoshin Kanri.

Discover how your organization can learn from its greatest advocates in our 24-page guide, available to download by clicking the graphic below.

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Unlock the power of Hoshin Kanri in your organization

A 24 page guide to Hoshin Planning, featuring case studies, cheat sheets and more!

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