

An Introduction to Hoshin Kanri, a.k.a. Strategic Goal Deployment – How To Use this Process to Deploy Your Strategic Goals

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Hoshin Kanri has its roots in the 1950s, with lectures by Dr. Deming and Dr. Juran in Japan. During these visits, they taught the Deming Wheel (PDCA Cycle) and the need to focus on management processes for continuous improvement, including both Breakthrough Management and Daily Management. It was during the 1960s and 1970s within Japanese companies that it became a more formal process, utilizing forms, clear accountability, and review meetings. With over 30 years to refine this process, why don't more companies recognize its value and use it to drive progress against their strategic objectives? To answer this question, it is useful to know more about what this process actually is.

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A Toyota Management practitioner will tell you that Hoshin Kanri is part of the management process that helps to align the organization toward the most important strategic goals. As with many elements of the Toyota Management System, there is only surface understanding of Hoshin Kanri. For starts, its common English-translated name, Hoshin Planning or Policy Deployment, conjures up images of strict corporate policy more than an active cascading and alignment of strategic priorities. Many of the enthusiasts of Toyota Production System (TPS) tools know something about kaizen events, implementing standardized work or pull systems, but Hoshin Kanri is often a less-understood term on the list, or is a chapter in a book on Lean or TPS that is glossed over. After all, many companies start their lean journey with kaizen events without a real strategic direction. They might have incorporated some of the “tools” into their implementation efforts, but you don't often hear someone say they conducted a “Hoshin Kaizen”. Interestingly, you don't have to be using TPS principles or implementing Lean or Six Sigma to use Hoshin Kanri, as the process is one that provides structure to strategy execution independent of choice of methods used to execute.

Hoshin means “compass, or pointing the direction,” and Kanri means “management or control”. When these two words are combined, we see that Hoshin Kanri is essentially the process for Strategic Direction Setting. My first exposure to this process was at The Wiremold Company, where Hoshin Implementation Teams were formed as full-time resources to drive aggressive implementation of the priority items (the breakthrough management). Progress Review meetings on the basic metrics (the daily management focus) were held weekly. At Danaher, “Policy Deployment” was how the priorities for each operating company were defined – cascading the strategy to the line executives and managers to ensure alignment of metrics and action plans around the breakthrough strategic items. These action plans were not driven by full time resources, but by the managers who were accountable for exceeding the targets of each metric. As part of McKinsey and Company, I worked with many ex-Toyota, Nissan, and other “Lean” organizations. We helped define and execute strategy for clients, which incorporated Hoshin Kanri methodology. The implementation methodology at clients included both dedicated resources and manager accountability.

In my experience, Hoshin starts with the company’s strategic aspirations, and then assures alignment by defining priority improvement themes, metrics, targets, and action plans that in sum will achieve the strategic goals. I choose to call the process Strategic Goal Deployment (SGD), because I believe it is more descriptive of the process – what you *deploy* are your *strategic goals*. Interestingly, kaizen, standardized work, pull systems, and other common TPS tools can all still exist within SGD – you’ll find them within the action plans. Their use should be the result of having a well thought out strategy and carefully defined priorities throughout the whole organization, rather than random kaizen events.

Let me provide an overview of how this works, shown in Figure 1. SGD has Annual and Monthly* steps. The annual exercise is to:

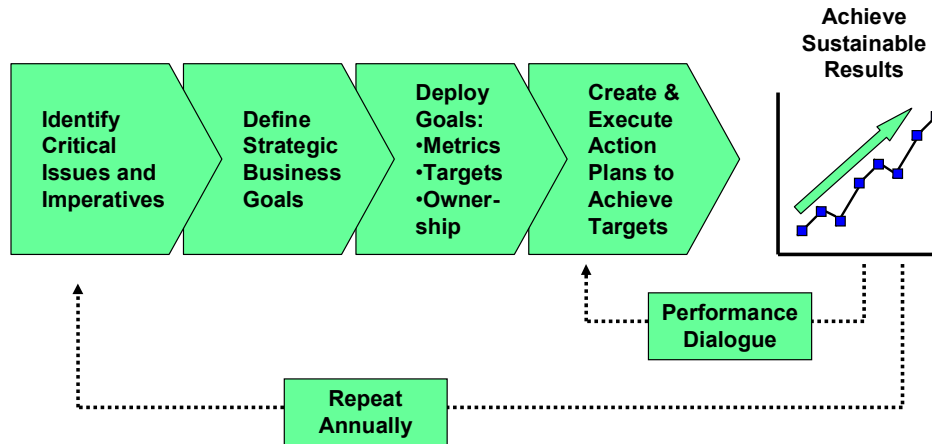
- Understand the critical issues and imperatives for your organization,
- Define Strategic Business Goals,
- Deploy the goals – by defining improvement priorities, metrics, targets, and owners, and
- Cascade the Goals and Develop Action Plans to meet the targets.

The Monthly exercise is to:

- execute the action plans,
- review performance achieved, and
- determine if management “course corrections” are needed – change resource allocations and redefine priorities in a fact based way.

** The common frequency is monthly, however I know of companies who have the progress review meeting weekly.*

Strategic Goal Deployment Model to Blow Away Your Goals and Drive Sustainable Results



Understand the critical issues and imperatives for your organization. While there are many approaches to answering these questions and defining your strategy, an easy framework to achieve this is a SWOT analysis. Using SWOT, you list out your organization's Strengths, Weaknesses, Opportunities, and Threats. For example, the fact that your market share has been slipping because your competition's rate of new products introduced to the market is at 5 times your rate would be considered both a *weakness* (you lack ability to get new products out quickly), and a *threat* (your competitors do this better than you and you're losing share). In another example, suppose that your customers love the service you provide. This is a *strength*, and to leverage your service capability into a new potential revenue stream is an *opportunity*.

While having great data will help this exercise, you might be best served to get representatives from the different functional areas together in a room and, based on what they know, list out your organization's Strengths, Weaknesses, Opportunities, and Threats to get the ball rolling. I've done this with post-it notes and created Affinity Diagrams to narrow the long list to a couple items. You can then form a couple specific hypotheses, target some data collection and Voice of Customer surveys and then, with data-based insights, state with clarity your issues and imperatives. This can be documented as your strategy.

Define Strategic Business Goals. With your clear issues and imperatives in hand, you now need to re-state them into goals – goals are the method by which you will inspire your team. A goal has the following criteria:

1. Know what you want and why you want it – an inspirational “why” will carry you through your most challenging moments. It should be something in your control.
2. Describe what you want in measurable terms – how will you measure your progress, and ultimately know that you’ve achieved your goal.
3. Declare your due-date – by when do you commit to have this goal completed?
4. Write it down – include what, how you measure it, by when. Otherwise, it’s a wish, not a goal. So, a goal would have the format of “To Improve <area> from <x to y> by <date>.”

Let’s build on the theme previously mentioned, that you realize it is imperative for you to develop new products to protect your market position (assuming you’ve done some analysis and the Voice of Customer research tells you this is important). Your goal might be: ***“To gain 20 points of market share from 40% to 60% share by December 2009”*** (3 year objective). This satisfies the above criteria, provided you write it down and share it with your employees.

Deploy the goals, by defining improvement priorities, metrics, targets, and owners. Take each 3-5 year Strategic Business Goal (you might have 3-4 of them), and decide what you want to accomplish in the next 12 months. Then, what are the priority themes that need to be implemented to achieve each of this year’s goals. Those themes will have metrics that ensure you are making progress on those themes. Each metric will have an “owner”, who is accountable for achieving the targets, which are defined such that meeting the targets assures you are accomplishing the priority themes and therefore the objectives for this year. Everything links together.

Once you’ve done this for the top level of the organization, you cascade down to the subsequent levels, ensuring alignment as you go.

Cascade the Goals and Develop Action Plans to meet the targets. In this step, it is important to be clear about what action needs to take place in order to achieve each target. An action plan should be created for every metric that is at the “point of impact”. What we mean here is that some metrics are really a “roll-up”, or summary, of what is happening at one level down. For example, let’s say that productivity improvement is an improvement theme that you believe will help meet your strategic goal of 5% cost reduction this year. An aggregate productivity metric for the company is really a roll-up of how each plant is doing; for each plant you have a roll up of how each Value Stream within the plant is doing; and for each Value Stream you have specific lines or cells. So, you might Cascade the productivity improvement theme to the Value Stream and (perhaps) the cell level. The metrics, targets, and accountable owners at each level would be defined, and the Action Plans created (at least) for that lowest level metric. The action plans need to provide confidence to you that the gap between where you are today and the target

will be closed by taking these actions. The Action Plans will be populated with items that could be anything from “just do it” quick hit actions or decisions, to kaizen events, to longer term projects, etc.

Execute Action Plans. This is where all the TPS tools and other improvement methodology will actually be used. This exercise is pretty straight forward – assign resources and teams to projects or kaizen events to drive impact toward the metrics’ targets.

When I was at Wiremold, one of my responsibilities was as a “Hoshin Project Leader”. For each of the major improvement themes, we had a leader and team assigned full time to drive the actions required to achieve the impact. At Danaher, we did not have a full-time team assigned to each improvement theme. Rather, the Action Plan Owners were the managers accountable for those metrics, who delegated specific actions items on their action plan. Either way is effective. The important thing is that you make progress and hit the performance targets along the way.

Review Performance Achieved. “Performance Dialogue” is a critical component to making sure the impact is happening as expected. The metric owners take their turn presenting to the management team their metrics, showing progress graphically against the targets. If the targets are not being met, then there is a problem-solving discussion around why not and a countermeasure sheet presented by the metric owner:

- are the action plans being followed?
- has something unexpected happened?
- is the impact from action plans less than predicted?

The countermeasure sheet describes, with data (e.g., Pareto charts, run charts, etc), where the problem areas are and what actions (in addition to those on the action plan) they will take to close the gap to the target. During these discussions, there is also the opportunity to re-evaluate the resource needs to make the impact happen as planned. The whole management team is present, so all the resources are represented and can be redeployed as needed.

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My aim in this introductory article is to provide enough of an overview for you recognize that this process is straightforward and powerful. The steps to the process are easy to follow such that if you’ve followed the process correctly, then you should have a plan designed to drive toward an exciting strategic vision. You have now enabled true impact, as you are executing on the highest leverage items.

Remember, when you follow this process the metrics and action plans are created in response to the most important business priorities, and they are communicated to the organization as such. If resources are not working on something that is part of SGD, you
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should challenge whether those actions are important and truly needed. Sure, there are crises that arise that require attention. When you have the progress review discussions, though, are the metrics moving in the right direction? Are people spending more time fighting fires and not making any meaningful progress on what you think is important? If so, then redefine how your team is working – that may be when you decide to use a fully dedicated “Hoshin Project Team” for a couple months. Or, intervene in other ways to free up action plan owners to make progress within their hectic days. However you choose to do this, it is critical to create time for your teams to make progress by executing the action plans.

I believe that as managers learn more about SGD and go through the exercise to deploy their strategic goals and begin the monthly progress review discussions, this process will catch on quickly. I hope this will help you achieve beyond what you thought was possible!

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Pete has great experiences in line management and consulting roles at The Wiremold Company, Danaher, and McKinsey and Company. During his career, he has experienced the value of Strategic Goal Deployment in his line roles and with clients as a critical methodology to ensure strategic results.

Additionally, Pete is an expert in personal goal achievement, and helps individuals reach their potential. Pete believes there is useful overlap between the individual and company goal achievement processes, and is working on a book that integrates these processes to help accelerate improvement in organizations. He has made a short eBook available for you on this topic at www.WinEnterprisesLLC.com/ebook.

You can learn more about Pete Winiarski and Win Enterprises, LLC at www.WinEnterprisesLLC.com. Please click on “Contact Us” to e-mail comments or questions, including feedback or testimonials about this white paper.

This paper also appeared in the January 2007 edition of the Industry Week Challenge. (www.IWChallenge.com)