

## Study Guide: Strategic Planning (Hoshin Kanri)

# 方針管理

hoshin

Direction

kanri

management, control

### What is Hoshin Kanri?

Hoshin Kanri, often referred to as Policy Deployment, is a Japanese management concept that originated in the Total Quality Management (TQM) philosophy. It involves the systematic process of translating higher-level organizational goals and strategies into specific objectives at all levels of the organization. Hoshin Kanri emphasizes continuous improvement and alignment of individual and team efforts with the overall business objectives. This approach helps organizations achieve better communication, coordination, and goal attainment throughout the entire hierarchy of the company.

- Strategic Planning serves as a bridge between the strategy creation and strategy execution.
- Organizations fail to connect the strategy with the resources they already have to effectively execute.
- Strategy creation and execution must work well, but the bridge between the two which is strategic planning must also work to succeed.
- To build the bridge, organizations use many tools such as
  - The Balanced Scorecard
  - SWOT Analysis
  - The Innovation PortfolioHoshin Planning (also called policy deployment, strategic planning, and strategy deployment)
- Do not confuse the tools with the entire planning process. Adapt every tool and form to the specific needs of your organization.

**Check for progress:**

- Are we on the right path?
- Have we corrected far enough around the obstacle?
- Do we still have enough resources?
- Will we get there in time?

Hoshin Kanri, translated as "direction management" or "policy deployment," has its roots in post-World War II Japan. The concept emerged as part of the Total Quality Management (TQM) philosophy, particularly influenced by the teachings of quality management experts like W. Edwards Deming and Joseph M. Juran. The primary objective was to help Japanese companies rebuild and establish a robust industrial infrastructure.

In the 1950s and 1960s, notable Japanese organizations such as Toyota and Bridgestone began adopting principles that would later become integral to Hoshin Kanri. The approach gained wider recognition in the 1970s as a strategic planning and deployment methodology. By the 1980s, it had evolved into a comprehensive system that not only focused on quality improvement but also integrated strategic planning throughout the organizational hierarchy.

Hoshin Kanri's evolution reflects Japan's transformation from post-war recovery to becoming an economic powerhouse, with its principles increasingly recognized and adopted by organizations worldwide seeking effective methods for strategic management and continuous improvement.

## What Makes a Successful Organization?



- Successful organizations figure out how to execute their strategy despite the obstacles
- They linked their daily execution with their vision of the future

### Where do CEOs fail?

- 80% of Fortune 500 leaders use balanced performance metrics
- 70% of the cases when CEOs fail, is not because of bad strategy but because of bad execution

### What is happening in the market?

A recent study by McKinsey found that the average life-span of companies listed in Standard & Poor's 500 was 61 years in 1958. Today, it is less than 18 years. McKinsey believes that, in 2027, 75% of the companies currently quoted on the S&P 500 will have disappeared

## What is missing?

- Hoshin Planning

Hoshin planning links major strategy objectives with specific resources and action plans needed to make them happen through a back-and-forth refinement system known as Catchball.

Catchball is a key concept and communication technique used in Hoshin Kanri, the Japanese approach to strategic planning and policy deployment. The term "catchball" is derived from the idea of tossing a ball back and forth between team members, symbolizing the collaborative exchange of ideas, feedback, and goals. Catchball serves as a dynamic and iterative process for aligning objectives and building consensus throughout the organization.

## Here's how catchball typically works in the context of Hoshin Kanri:

- **Top-Down Planning:**

The strategic objectives and goals are initially formulated at the top management level. These high-level goals represent the organization's vision and long-term objectives. Tossing the Ball:

The top-level management "tosses" these objectives down to the next organizational level, such as department heads or middle managers.

This involves sharing the goals, objectives, and the rationale behind them.

Dialogues and Discussions:

The receiving individuals or teams engage in dialogues and discussions to understand the objectives.

They provide feedback, seek clarification, and share their insights on the feasibility and challenges associated with the goals.

- **Refinement and Adjustments:**

Based on the feedback received, the objectives may be refined or adjusted to better align with the capabilities and realities at the lower organizational level.

This process may involve negotiation and collaboration to ensure that the objectives are both challenging and achievable.

- **Tossing the Ball Up:**

After refinement, the modified objectives are "tossed" back up to the higher level for review.

This upward communication ensures that the objectives are not only understood but have also been collaboratively adapted to be more realistic and executable.

Iterative Process:

Catchball continues iteratively between various organizational levels until there is alignment and consensus on the objectives throughout the organization.

The process creates a sense of ownership and commitment at each level, as individuals and teams actively contribute to shaping the goals.

Alignment and Consensus:

Through the catchball process, organizational objectives become a shared understanding rather than directives from the top.

The alignment and consensus achieved through catchball contribute to a more engaged and motivated workforce.

**Hoshin is for you if your organization has any of the following problems:**

- Long lead times for improvements
- Vision that doesn't match organizational activities
- Annual objectives that are rolled out in March Instead of January
- Year-to-year plans that never seem to connect
- Too many projects in flight with few delivering the promised results
- Employees who don't feel a part of the team

## The 7 Steps of Hoshin Planning



### Hoshin planning

The tool used to facilitate the creation of business processes that result in a sustained competitive advantage in quality, delivery, cost, and innovation.

Hoshin Kanri, also known as Policy Deployment, typically involves a series of steps to effectively deploy and execute an organization's strategic objectives. While the exact number of steps may vary slightly depending on the source, a commonly accepted framework includes seven steps:

#### 1. Establishing Organizational Vision, Mission, and Values:

Define the organization's long-term vision, mission, and core values. Ensure clarity and alignment with the organization's purpose and direction. Do not confuse strategy with vision. Vision is where you are trying to go, strategy is how you are going to get there.

## **2. Develop Breakthrough Objectives (Big-Picture Goals, 3-5 years):**

Identify breakthrough or "big-picture" objectives that will significantly contribute to achieving the organizational vision. These objectives should be ambitious and have a transformative impact on the organization. 3 to 4 key things the organization needs to accomplish to secure the future and achieve the vision. Breakthrough objectives are sometimes called "The What". Requires a cross-functional effort. Does not have an existing standard or system. The objectives must require the organization to stretch itself often looking for the next S-Curve.

### **S-Curve:**

Business Model that assists us with trend predictions.

Shows how a product or service follows certain stages of evolution that can be predicted. If you know what these patterns are, you can then solve difficult problems and define strategic opportunities.

## **3. Develop Annual Objectives and Cascade them Through the Organization:**

Break down the breakthrough objectives into actionable and measurable goals at each level of the organization.

Ensure alignment of objectives from top management to frontline teams.

These are activities that are necessary to achieve the 3 to 5-year breakthrough objectives. These objectives are sometimes called "The How Far" indicating how far we need to get this year to stay on track.

## **4. Deploy Annual Objectives:**

Translate longer-term objectives into specific annual goals. Develop action plans outlining the steps, responsibilities, and timelines for achieving these annual objectives.

## **5. Deploy Annual Objectives Across the Organization:**

Communicate the annual objectives and action plans throughout the organization. Engage in "catchball" or dialogue to ensure understanding, commitment, and refinement of objectives at all levels.

## **6. Implement Action Plans and Monitor Progress:**

Execute the action plans to achieve the defined objectives. Regularly monitor progress using key performance indicators (KPIs) and other relevant metrics. Actively address obstacles and make adjustments as needed.

## **7. Review and Reflect (PDCA Cycle):**

Conduct periodic reviews to evaluate the effectiveness of the Hoshin Kanri process and progress toward objectives. Use the PDCA (Plan-Do-Check-Act) cycle to continuously

improve the strategic planning and execution process. Capture lessons learned and apply them to future planning cycles.

These steps are iterative and form a continuous improvement loop. The PDCA cycle is embedded within the Hoshin Kanri process, emphasizing the importance of ongoing reflection, learning, and adaptation to changing circumstances. The goal is to create a dynamic and responsive approach to strategic planning and execution that aligns the entire organization with its long-term vision and goals.