



Hoshin Kanri

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October 12, 2018

Hoshin Kanri is the most powerful tool to get everyone on board and aligned behind your company strategy. Hoshin Kanri is the Lean approach for strategy deployment and continuous improvement at the organizational level.

In the last five years, the OKRs strategic deployment methodology, which is nothing more than an evolution of Hoshin Kanri, has gained a lot of popularity.

Global Competition

In this world of truly global competition, technology disruption and volatility, there is an ever-changing landscape. Not so long ago, very few companies were adopting Agile and Lean principles as a way to eliminate waste, improve processes, and become more competitive. Today, there are an increasing number of firms showing interest in learning about and deploying Lean.

Lean is a system and a way of thinking. It does not guarantee your business will grow, but it is an enabler to grow your business.

Lean it is not used solely to provide a competitive edge, it is practiced to help organizations to grow, stay in business and survive in an ever-changing global economy.

Truly Lean companies have fewer employees, but they pay them above market. This ensures that the best and brightest talent is always available and significantly increases the retention rate while decreasing the cost of ongoing training and variation introduced a constant flow of new hires.

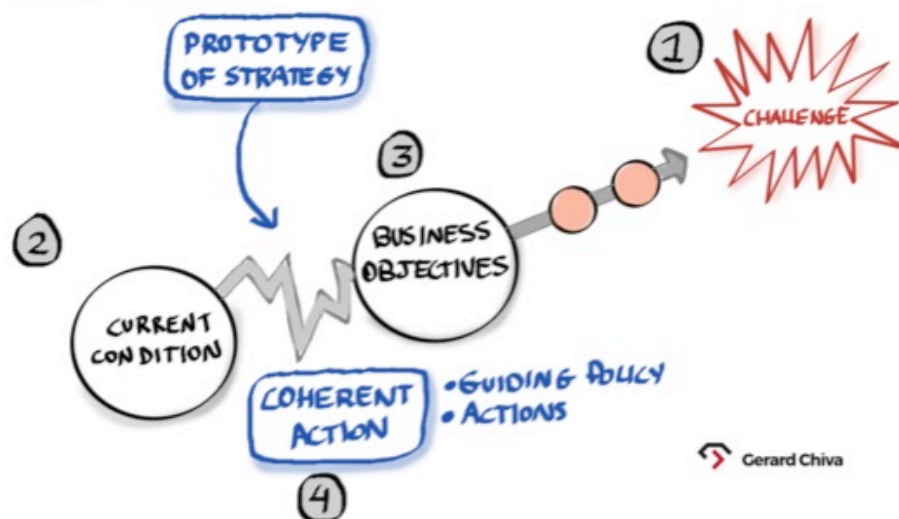
Introduction to Hoshin Kanri

Hoshin Kanri is a strategic decision-making tool for a firm's executive team that focuses resources on the critical initiatives necessary to accomplish the business objectives of the firm.

Three to five objectives are selected and translated into specific initiatives and deployed down to the implementation level in the firm. Hoshin Kanri unifies and aligns people and resources and establishes clearly measurable targets against which progress is measured on a regular basis.

Adopting and implementing policy deployment is a critical element in the work of a modern business leader. It is the tool that allows you to take your long-term strategic plan and deploy it in your organization.

Strategy Kata



It defines the clear “breakthrough” initiatives that you will focus on in the current year and then aligns your leadership team, value streams and individual contributors around these initiatives.

There is no way your strategy will succeed if there is no alignment and focus supporting your guiding policy. You need a tool to make sure all people, resources and activities are working in the same direction and you can measure progress and adapt quickly to changes.

Policy deployment is a visual system that focuses on the few top priorities to achieve this year. It helps to prevent you from making the common mistake of trying to do ten top priority projects this year when you can realistically only do four with your current capabilities. You will see this visually, and you will be forced to “deselect” or postpone those projects that can’t be given sufficient resources.

One of the most important aspects of policy deployment is that it aligns your leadership team around a well-defined set of objectives. It helps the team stay focused on your priorities, and it creates the connection between these initiatives and how they fit your strategy and key metrics.

Lean Transformation with Hoshin Kanri

Hoshin Kanri is a tool for strategy deployment, therefore it is also a cornerstone of any Lean or Agile transformation. Because, Lean and Agile are operations strategies that require clear and actionable guiding policies and alignment.

We have seen many initiatives of digital transformation or agile transformation fail due to the lack of a strategic deployment process. In some cases for wanting to do many things at once and in others for not having clear objectives and metrics of progress and success.

We have watched many firms set off full of vision, energy, and high hopes, but make very little progress because they went looking for perfection in a thousand directions and never had the resources to get very far along any path.

What’s needed is to form a strategic intent, select the two or three most important steps to get you there, and defer the other steps until later. The general Lean principle of doing one thing at a time and working on it continuously until completion applies to improvement activities as well as it applies to design, order-taking, and production activities.

The Lean technique of policy deployment is critically required in any Agile Transformation or Lean Transformation. Top management must agree on a few simple goals for transitioning from batch to lean, to select a few initiatives to achieve these

goals, to designate the people and resources for getting the initiatives done, and, finally, to establish numerical improvement targets to be achieved by a given point in time.

For example, your company might adopt the goal of converting the entire organization to continuous flow by means of a pull system. The initiatives required to do this might consist of:

1. Reorganizing by product families (or Value Streams), with product teams taking on many of the jobs of the traditional functions
2. Creating a “Lean Function” to support the product teams and other functions in the conversion
3. Starting a systematic set of improvement activities to convert batches and rework into continuous flow.

The targets would set numerical improvement goals and time frames for the initiatives. For example:

- Convert to dedicated product teams within six months
- Conduct improvement activities on six major activities each month and at least once on every activity within the first year
- Reduce the total amount of work-in-progress by 50% in the first year
- Reduce the number of defects escaping to customers by 50% in the first year
- Reduce the amount of effort required to produce a given amount of each product by 25% in the first year.

It is common practice and really helpful to creating a policy deployment matrix, which summarizes the goals, the initiatives for that year, and the targets for these initiatives so everyone in the entire organization can see relate to them.

In doing this, it's essential to openly discuss the amount of resources available in relation to the targets so that everyone agrees as the process begins that it is actually doable.

It's also important to note that the process is top-down in the first step of setting goals but top-down/bottom-up in subsequent steps. For example, once the specific initiatives are agreed on, it's essential to consult with the teams or Value Streams about the amount of people, resources and time available to ensure that the initiatives are realistic. The Value Streams are collectively responsible for getting the job done and must have both the authority and resources from the outset.

★			REORGANIZE BY PRODUCT FAMILIES		★		★								
	★		CREATE A LEAN PROMOTION OFFICE	★				★							
★	★	★	SUBORDINATE ALL OTHER FUNCTIONS TO PRODUCT VALUE STREAMS			★			★	★	★	★	★	★	★
IDENTIFY VALUE STREAM BY PRODUCT	ENABLE CONTINUOUS FLOW AND PULL	DRAMATICALLY IMPROVE TIME-TO-MARKET	SELECTED INITIATIVES OBJECTIVES (Annual) IMPROVEMENT TARGETS BREAKTHROUGH OBJECTIVES (3-5 years)	Perform six major kaizen projects per month	Form product teams within six months	Form the lean enterprise within one year	IMPROVEMENT TEAMS								
	★			★				PRODUCT LINE REORGANIZATION	LEAN PROMOTION OFFICE	PRODUCT FAMILY A TEAM	PRODUCT FAMILY B TEAM	PRODUCT FAMILY C TEAM	PRODUCT FAMILY D TEAM	PRODUCT FAMILY E TEAM	
		★		★	★										
	★				★	★									
			ACHIEVE WORLD CLASS QUALITY PRODUCTION BY END OF 2021	★											
		★	GROW TOTAL REVENUE BY \$200M WITH EBITDA OF 21% BY END OF 2022	★	★										
	★		REDUCE LABOR COSTS BY \$50M		★	★									

The most successful companies quickly learn how to “deselect” projects, despite the enthusiasm of parts of the organization, in order to bring the number of projects into line with the available resources.

In our own experience, taking on too many lean initiatives once the ball is rolling is the norm rather than the exception. Therefore, it’s vital to use the tools of policy deployment to reach agreement across your whole organization on the three or four lean tasks your firm can hope to complete each year.

Another important task for your annual policy deployment exercise will be to identify the important tasks that will need to be “deselected” until the next year or the year after, when resources are available.

The Change Agent Paradox

Lean allows you to convert organizations from a complex labyrinth of muda to a fast-flowing value machine, defined and then pulled by the customer. However, there’s a very serious paradox inherent in introducing Lean thinking in real organizations.

The practices and the mindset are inherently egalitarian and open. Transparency in everything is a key principle. Policy deployment operates as an open process to align people and resources with strategy and improvement tasks. And massive and continuing amounts of problem solving are conducted by teams of employees who historically have not been participating.

Yet the catalytic force moving firms and value streams out of the world of inward-looking batch-and-queue is generally applied by an outsider who breaks all the traditional rules, often in a moment of profound crisis. We call this individual the change agent.

There is no way to reconcile this paradox, no way to square the circle. The change agent is typically something of a tyrant imposing a profoundly egalitarian system in profoundly inequalitarian organizations. Yet, those who succeed in creating lean systems over the long term are clearly understood to be promoting a set of ideas which have enormous potential for benefiting everyone. No hidden agendas or egos.

We strongly disagree with those people who say that Lean or Agile cannot be introduced by pushing. This is how it worked in the past and how we have seen it working so far. What doesn't work is inspection and adaption on top of a dysfunctional system. That's the paradox.

It is very naive, and also an endless source of consulting revenue, to assume that people will come up with all required changes and strategies just by doing open spaces and retrospectives and they will kindly support an initiative that will make them redundant. Sorry, but that doesn't fly. Just like you cannot expect your kids to wanting to go to school or eat healthy food on their own.

Because lean systems can only flourish if everyone along the value stream believes the new system being created treats everyone fairly and goes the extra mile to deal with human dilemmas, only beneficent despots can succeed.

From Top-Down to Bottom-Up

Hoshin Kanri is a tool that will drive decentralization, continuous improvement and create more leaders across the organization.

Based on our experience in recent years, we learnt that the more Hoshin Kanri evolves in a company the less top-down it is. Yet, there is going to be always a top-down component as you don't want everybody to be taking strategic decisions that can cause the ruin of the company. This happens because there are value stream managers for every value stream and employees across the enterprise have learned to see.

As a result, ideas for further improvements in every value stream continually bubble up to senior management, which needs only to filter the best ideas and decide how many initiatives can be supported throughout the next period.

You can obtain brilliant results from average people utilizing brilliant processes. So, it's not all about people, processes and structures influence behavior and performance.

We have seen many companies with brilliant people obtain mediocre results utilizing broken processes.

The natural instinct in this situation is to find more brilliant people. The correct response is to perfect the value stream and then take delight in the fact that average people can get brilliant results and get them consistently.

Hoshin Kanri Overview

The Hoshin Kanri process addresses both the long-term strategic direction for the company and the short-term daily management activities.

Hoshin Kanri provides an opportunity to improve performance continuously by dispersing and deploying the vision, direction, and plans of the corporate management to the top management and to all employees so that people at all job levels can continually act on the plans and then evaluate, study, and feedback results as a part of a continuous improvement process.

Hoshin Kanri is the strategic deployment process designed to ensure that the vision, mission, annual objectives, goals and resulting action items are aligned and communicated throughout the organization. It is a systems approach to manage change in business processes.

In this process, the organization develops multiple (three to five) vision statements to encourage breakthrough thinking about its future direction. Work plans are developed based on the collectively chosen vision statement, and progress toward them is periodically monitored through performance reviews.

Hoshin Kanri is a framework that encourage employees to analyze situations, create plans for improvement, conduct performance checks, and take appropriate action based on organization's strategic goals.

It is a system of goal definition and deployment using the PDCA improvement cycle that must be led by the CEO.

History of Hoshin Kanri

A little bit of history is always good. We wouldn't like you to confuse Hoshin Kanri with OKRs or to believe that Hoshin Kanri was invented by Toyota.

After WWII the Japanese blended Edward W. Deming's and Joseph M. Juran's teachings (PDCA) with the concepts of Management by Objectives (MBO) from Peter Drucker and began their first attempts at strategic planning. Each individual company created their own planning processes.

In 1965, Bridgestone Tire made Hoshin Kanri their official term for policy deployment and they published a manual containing the company regulations for Hoshin Kanri. By 1975, Hoshin Kanri was widely accepted in Japan.

Hoshin means direction and Kanri means management, translated into English as policy deployment. Hoshin began to crawl into the USA in the early 1980s. However, until the early 1990s, most early adopters of Hoshin Kanri considered the process to be a competitive advantage and classified it as company private. As a result, Hoshin Kanri was not well known or widely understood.

Probably, thanks to the recent OKRs hype, Hoshin Kanri is also getting more attention.

The Hoshin Kanri Process

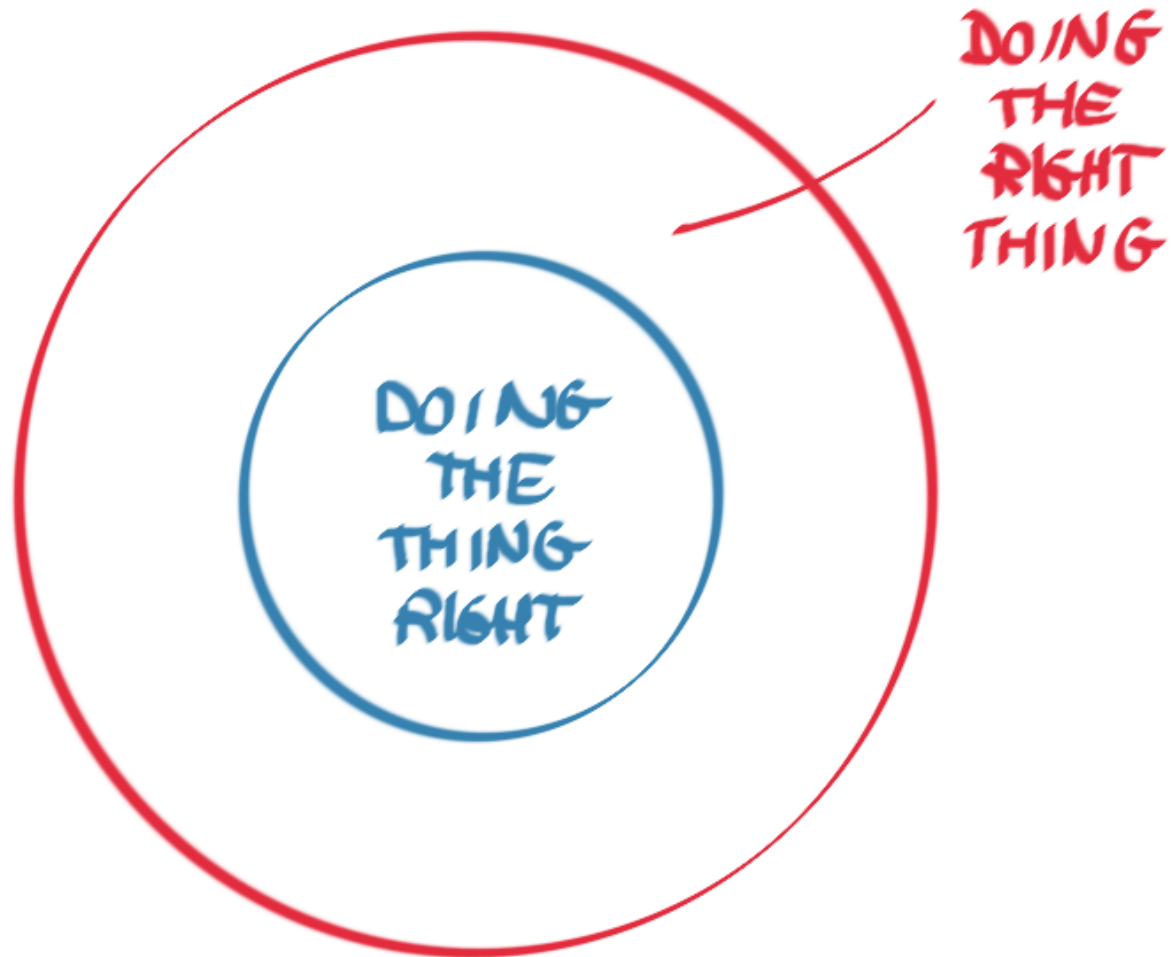
You must ditch your 5-year strategic plan and replace it with Hoshin Kanri if you want to become truly agile, fast and innovative in the 21st century.

Organizations wishing to exceed customer expectations and stay competitive need a long-term strategic roadmap. This plan must be adaptable, forward-looking, visionary, and achievable, while at the same time striving toward continuous improvement of the organization's key business processes.

Companies need a strategic planning process that will focus, align, and engage all of the employees. The process must also be nimble, with the ability to react quickly to changes in the business environment. Alignment and buy-in throughout the organization are key points to having a process that can react quickly to changes.

The Hoshin process is a systematic planning method for defining and reviewing long-range key organizational objectives. There are two distinct aspects of objectives that are developed:

1. Breakthrough objectives are typically extending over a two to five year time frame. They are generally new processes, new products or a strategic acquisition. Either way, they represents a huge step forward (DOING THE RIGHT THING)
2. Business fundamentals are part of the daily management of existing processes. This is the ongoing continuous improvement activities that an organization is engaged in on a daily basis. These types of improvements are small, incremental improvements, traditionally referred to as kaizen (DOING THE THING RIGHT). Sometimes, also referred to as "Keeping the Lights On".



The Hoshin plan must become the framework for all the strategic and tactical activities in which the company will deploy their available resources, including both the definition and review of the goals, KPIs and initiatives that make up the plan.

A Hoshin plan is made of the following components:

The PDCA Cycle

Used at all levels of strategy deployment and review. Management, like design or development, requires a cadence. This cadence is set by the PDCA cycle. The progress against a plan must be checked on a regular basis in a standardized format.

The Catchball Process

Catchball refers to the give and take required between management levels to develop goals, initiatives, KPIs and targets. The catchball process clarifies roles, ensures alignment and helps to integrate the senior management's vision with daily activity

The catchball goes both ways: from managers to their teams and vice versa. The key point is that the ball is tossed back and forth until there is a shared understanding of the following:

1. Where are we going?
2. How do we get there?

The Management Process

A systemic and disciplined approach to strategy deployment and review at all levels of the organization.

Accountability

Clearly defined accountability for the delivery of initiatives in support of the goals. Most of this accountability falls on to the Value Stream Managers, because they are the ultimate responsible people for product success and continuous improvement.

The A3 Process

A3 is the thinking and problem-solving tool that supports Hansei (reflection) and the overall organizational learning through the planning and review process.

Hoshin Kanri Methodology

The Hoshin process systematizes strategic planning and provides a structured, unified approach for developing and reviewing the strategic plan.

The Hoshin Kanri methodology establishes an effective dissemination of the strategic plan throughout the organization. This leads to an organization-wide strategic awareness. Everyone understands how they are personally contributing to the strategic plan of the organization.

The second part of the Hoshin process – the review process – emphasizes not only results but how decisions are reached, the organization can identify successful decision-making methods and practices. It is a double-loop learning process that will help identify areas of opportunity for the future.

These opportunities can be used to implement changes, to modify failing strategies or to point to the next Hoshin objective to be pursued to achieve the vision. These

opportunities for the future, together with the benchmarking aspect of the review method, are the vehicles for organizational learning at all levels. This process is a fundamental part of any true learning organization.

Hoshin Kanri Plan Structure

Hoshin is not MBO! Hoshin ensures that everyone in the organization has the opportunity to participate in the development of the plan and is therefore aligned and working toward the same end.

The basic belief behind the Hoshin plan, is that the best way to obtain the desired organizational outcome, is to ensure all employees understand the direction and are working according to an interlinked plan, with bottom-up feedback and negotiation, to make the vision a reality.

After organization's or product strategy is defined, the Hoshin process is the framework we use to deploy strategic goals and initiatives and to make sure review and continuous improvement is happening across the organization.

The Hoshin structure consists of two primary activities: strategy deployment and the review process. Once the highest-level direction and objectives have been determined, the cascade and communication aspect of the catchball process can begin. For each high-level objective we must ask the question "how do we do that?"

The catchball process allows for an interactive dialogue throughout the organization to assure that the ideas and concerns from all levels are considered. And, we must emphasize two fundamental aspects of this process: the layered development of the HOW and the review process.

The Layered Development of the HOW

Each strategic goal consists of sub-goals needed to implement each higher-level goal. Each higher-level goal serves as the objective for the next lower level of strategy.

As each level of the organization aligns its goals with the higher level goals of the organization, they must also help determine how each goal is to be realized. The feedback on how the goal will be achieved goes back and forth in a dialogue process as new ideas are developed and new strategic initiatives are discovered.

In general, the development of the strategies continues until they reach the level of tactics. When the teams have the level of detail needed to assign individual responsibility to take action, and these actions can be tracked with due dates, then the plan is complete and ready for deployment.

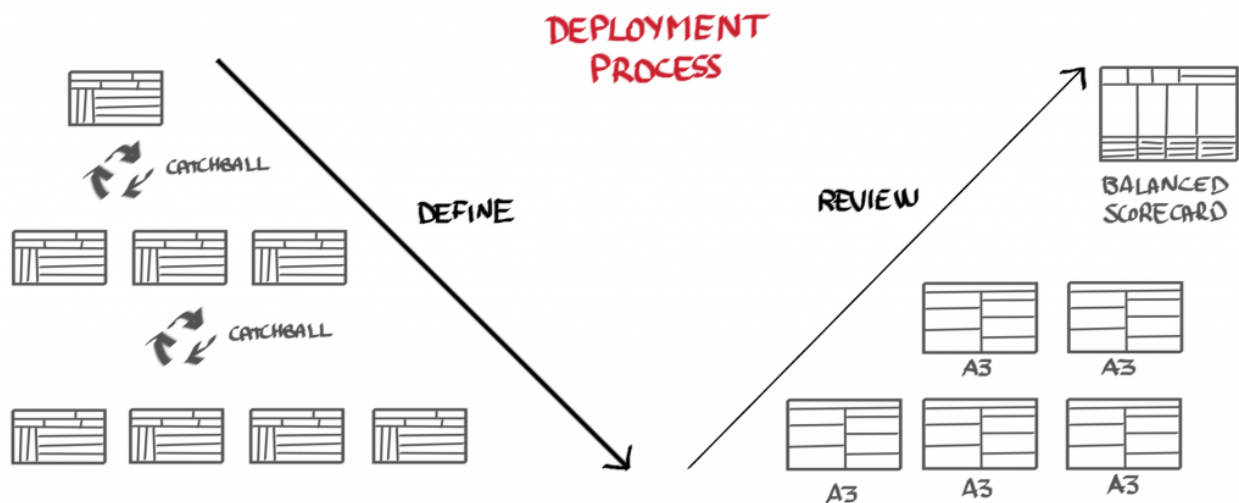
This engagement of the entire workforce in the development of the strategies is a primary difference between Hoshin planning and MBO. Looking at Hoshin from the team's perspective, it will look something like this. Each person's daily work must be:

1. Aligned with the goals of the team
2. Aligned with those of the value stream
3. Aligned with those of the senior management or business unit
4. Aligned with those of the company
5. Aligned with those of the customer

The Review Process

The second major aspect of the Hoshin structure is the Review Process. The review process for each of the goals must become part of the overall management process and institutionalized as part of the standard work for the management team.

The overall structure of the deployment process consists of a V-cycle, where the strategies are defined from the top down and the implementation is reviewed from the bottom up.



The overall review process is an integrated structure of reviews that provide monitoring and corrective action definition for all the measurements defined in the overall Hoshin plan.

The Hoshin planning process helps an organization learn from the problems solved, the business failures and the business successes. This is fundamental to building a learning organization.

Common Mistakes with Hoshin Kanri

Strategy Deployment is not Strategy Design

Many organizations confuse strategy design with strategy deployment. Strategy consists of identifying a challenge, making a diagnose, evaluating the current condition and then setting goals and a guiding policy. This last part is what we call strategy deployment and it is what Hoshin Kanri is meant for. But, coming up with a decision of where to play and how to win is something else.

Defining a vision, a mission and setting some goals is not strategy definition.

Definition Process

The definition process must engage the organization. It must also strive to clarify, communicate, and cascade the objectives of the organization.

People doing the work know best what needs to be done to improve the work. This is a basic Lean principle “move authority where information is”. Therefore, unrealistic goals and too many goals may be the two most common mistakes. They foster distraction and demotivation.

The management team must keep the purpose of engagement at the top of their heads. Because, buy-in comes from participation. Without buy-in, the deployment of strategies will not succeed. People want to be heard, and they want to know they have a voice in their company's success.

When people understand the strategy, they can begin the process of understanding how their role impacts the success of executing on the strategy, and they are more likely to mobilize to do their part.

The second most common problem in the definition phase is not developing the measures (KPIs and targets) behind the various goals. If goals and initiatives are developed using high-level conceptual wording, how will we know at the end of the quarter if we are making progress? What exactly does success look like? It is the responsibility of the executive management to clarify, with defined KPIs and targets, what their expectations are for every objective.

Review Process

When review process is not regularly implemented with discipline, or it is not implemented in the spirit of continuous improvement, it can be easy for management to fall back into a command-and-control mode rather than looking to improve the process and learn from the mistakes.

Some recommendations, learnings and hints from our experience:

- A punitive review process will quickly degrade into false numbers and a false harmony review process.
- Too many objectives can easily lead to too much data.
- Metrics should be used only for the time needed to define a corrective action and demonstrate improvement. Once the system has improved, remove the metric.
- Planning cannot be viewed as an event. A Hoshin plan needs to be seen as an ongoing process in which the whole company is engaged continually.
- The review process should be used for all levels of the company and should be part of the leadership standard work.
- Management should be regularly considering updates, modifications, and corrective actions to strategy bubbling up from teams to make sure the strategy is nimble and quick to react to changes in the business.

Management must bring up problems and issues so that the strategies can be adjusted based on measures and facts.

The Hoshin Plan

These are the components of the Hoshin Plan:

1. Statement of purpose
2. Determination of breakthrough objectives
3. Business fundamental objectives
4. Definition of initiatives that adequately support the objectives
5. Review of the progress of these initiatives
6. Changes to initiatives as required
7. Continuous improvement of the key business fundamentals
8. Organizational learning and alignment

1) Statement of Purpose

VISION – long-range (5-10 years). Long-term, futuristic and motivational. What would the ideal state look like

MISSION – articulate what needs to be done. Addresses what is to be accomplished with the measure of accomplishment within a given time frame to be tracked. In general, the mission statement describes what the Hoshin plan needs to accomplish.

This is the ultimate goal to achieve as an organization. This is where the whole Hoshin plan is designed to take the organization to.

2) Determination of Breakthrough Objectives

Breakthrough objectives are those directed at achieving significant performance improvements or making significant changes in the way the system operates within an organization, value stream or functional unit.

These activities are typically directed at overcoming the critical business issues the organization will face in the next two to five years. These issues may relate to profitability, growth, market share, or in support of a new product or service introduction either in-house or through strategic acquisition.

Once the breakthrough objectives are defined each Value Stream or Supporting Functional Unit develops their individual improvement plans that will contribute directly to the objectives. These are called the Hoshin strategies. Hoshin strategies are mandatory short-term objectives that the organization undertakes to achieve long-term goals and objectives.

The leadership team will review the Hoshin strategies from each value stream, provide feedback and together agree on realistic or stretch goals.

A Hoshin strategy for a Value Stream or Supporting Functional Unit is made up of four components:

- Owner (Accountability)
- Goals/Objectives (What)
- KPIs and numeric targets (Measurements)
- Initiatives/Projects (How)

3) Business Fundamental Objectives

There must be a balance of the day-to-day activities and the activities required to implement the Hoshin breakthrough activities. Part of the day-to-day activities should be designed to monitor, maintain, and continuously improve stable processes that are under control.

We can't work on implementing breakthrough improvements when our processes are out of control. If the business fundamental processes are under control, some of the time still available should be then devoted to continuous process improvement. After achieving this state of continuous process improvement, the organization has the time to perform breakthrough activities.

If an organization is struggling to bring key business processes under control, the key business issue for which a breakthrough is needed may be just to bring the fundamental business processes into control. This will result in delaying or postponing a breakthrough Hoshin objective but is an essential first step for long-range success (the vision).

In essence, we should have standard work in place prior to working on breakthrough improvements. As the business fundamentals are brought into tighter control, more of the organization's time can be spent working on the strategies to reach the Hoshin breakthrough objectives.

4) Definition of initiatives that adequately support the objectives (Do step from PDCA)

The implementation plan is a detailed tactical plan that lists the precise responsibilities of everyone involved in implementing a particular Hoshin strategy. Everyone in the organization that is part of the plan is in the loop.

The implementation plan should include activities, timelines, and checkpoints for specific events, and as any implementation nowadays it should be done using an iterative and incremental approach.

5) Review of the progress of these initiatives

After the implementation starts, we begin the periodic Hoshin review process. The review process includes all of the review meetings for the various levels of the organization and will cover all of the Hoshin strategies for each level.

The review conducted at the highest level within the organization should include all leadership team members and must happen every one to three months, with a preference for the shorter time frame.

Meeting Cadence and Standard Meeting Format

Reviews of the Hoshin strategies should occur at least once per quarter, or monthly. The review should begin with the business fundamentals to evaluate organization's overall process quality and performance and then review of the breakthrough plans. However, some Hoshin strategies will be reviewed on a weekly or even a daily basis.

Some recommendations for Hoshin meetings:

- There should be review cadence.
- Each meeting should be conducted using a standard meeting format. The format will standardize the participants, the agenda for the meeting, and the Hoshin strategies that will be reviewed.

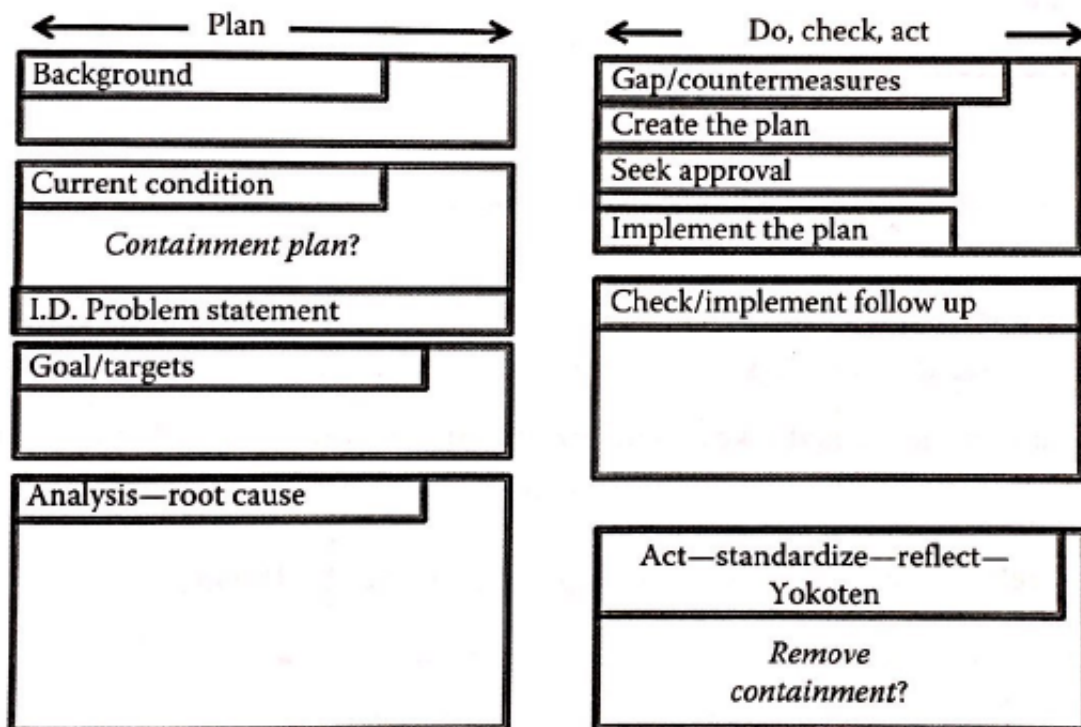
- Discuss only those items not in control.
- Any information relating to these items should be directly available. We don't want waste time preparing reports and gathering data.

A3 Thinking

Reviews of Hoshin strategies should provide a quick indication of how well a Value Stream is performing. The strategy review entails identifying the root causes of any deviation. In addition, the review should record the actions taken in response to this deviation.

The A3 process can be used to support these reviews. The A3 shows how the Hoshin strategy is linked to higher-level strategies in the organization, the problem definition, objectives and goals, problem-solving methods, root cause analysis, status, and step-by-step action plans.

The final annual review is essentially a compilation and summary of the A3 reports accumulated during the year.



6) Changes to initiatives as required

The Hoshin strategies describe what the organization wants to accomplish during the coming year (the mission) from a breakthrough standpoint on the way to a longer-term

goal (the vision). If, during the review process, new and unexpected developments arise or better ways are found, the plans should change accordingly and be documented.

This helps the organization learn from the plan and improve the planning process for the next year.

7) Continuous improvement of the key business fundamentals

The Hoshin planning process is cyclic, following the PDCA improvement cycle. In particular, the review of the plan for the year just completed is the information source for the next year's plan.

Each objective has an A3, with all supporting strategies listed. For each strategy, use the PDCA cycle to measure the progress against the goal set at the beginning of the year. In addition, record actual results-to-date. Note any discrepancy between results and the plan, and state the impact on the strategy for the coming year.

Complete the review for all objectives. What are the learning points/plans for the challenges that were not met? For those successfully completed objectives, perform an analysis to see if they could have gone better and, if so, how? For each objective not attained, determine the root cause for the deviation.

If there is a best practice to build into the future planning cycles, this step is critical to capturing knowledge of how to make it happen and then to pass that knowledge to the whole organization.

The annual reviews start at the same time in all business units and Value Streams. Starting at the lowest level the review is completed and the information passed up the organizational structure. Each level uses Hoshin strategies and A3s from previous management levels to complete their own review.

Because A3 moves up the organizational structure, it is an instrument for bringing important issues to the leader's attention. The review is completed using the information from the following:

- Hoshin A3s
- Corporate objectives
- Business plans
- Economic projections
- Customer inputs
- Organizational assessments or audits

- Business fundamentals

The senior management can determine if last's year's critical business issues and business objectives are still appropriate for the coming year. This also is the time to make sure the organization is providing value to its customers as described by the purpose statement and whether the vision for the organization is still appropriate for business conditions or needs modification.

This annual review process returns us to the beginning of the Hoshin process structure as it provides input to the leadership team to start the process of strategy definition and strategy deployment.

8) Hansei: Organizational Learning through Review

Overall the Hoshin Kanri process is the cultural platform by which organizations can achieve alignment, focus, buy-in and continuous improvement in their effort to achieve their vision and mission aligned with the company's purpose.

When implemented in the proper spirit Hoshin will engage everyone in the organization and provide a sense of purpose for each member of the company, and each member should see how their goals and objectives are aligned to their Value Stream objectives and in turn, how the Value Stream objectives are aligned to the company objectives.

The plan includes both breakthrough objectives and continuous improvement of business fundamentals. When properly implemented Hoshin planning demands a comprehensive review process that ensures progress and guarantees continuous organizational learning.

The process will allow for dynamic, fast and flexible adjustment of priorities to align with the realities of the business. Overall the process engages and aligns the entire work force to accomplish the right objectives effectively.

Although the Hoshin process has many levels, cycles, and systemic tools, overall, there is a simple set of questions that should drive the organization's thought process:

1. What do we need to do? – Strategic Goals
2. How should we do it? – Initiatives
3. How are we doing? – KPIs
4. How do we know? – Metrics and A3

Hoshin Kanri X-Matrix

The Hoshin X-matrix is an analysis tool that allows the overall, highest level Hoshin plan to be summarized in one place. It also allows for a systemic review of the interactions and interdependencies in a comprehensive format.

One of the primary purposes of the X-matrix is to assure alignment of initiatives and identify gaps in the overall strategic structure. It also provides the organization with an assessment of which functional units, Value Streams, and executives need to cooperate on certain strategic initiatives to allow the organization to reach its objectives.

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