

The Hoshin Planning Process is a systematic planning methodology for: 1) defining the long-range key objectives of the organization or company; and 2) ensuring the implementation of 'business fundamentals' required to successfully run the business on a daily basis. Hoshin planning, therefore, is a two-prong planning approach that covers the organization's strategy to achieve breakthrough results through its long-term objectives and ensure continual improvement through its short-term business fundamentals.

Like many modern business concepts today, hoshin planning was developed in Japan. The Japanese words 'hoshin kanri' can be translated into 'direction setting'. And like many Japanese management concepts, hoshin planning also promotes the involvement of all employees in the process, on the basic premise that desired results can only be attained if everybody in the organization fully understands the goals of the company and is somehow involved in the 'chain' of plans defined to achieve them.

The plan generated by the Hoshin process is hierarchical in nature, with the corporate objectives determining the corporate strategies which, in turn, are supported by lower-level strategies that cascade down the organization. In effect, the goals of every individual should support the goals of the next person up in the hierarchy. Every strategy further consists of tactics or actions that need to be undertaken to accomplish the strategy.

The hoshin planning process basically consists of the following steps: 1) identification of critical business issues that the organization faces; 2) establishment of business objectives to address these issues; 3) definition of the company's over-all goals; 4) development of strategies that support the over-all goals; 5) definition of sub-goals or tactics that support each strategy; 6) establishment of metrics or indicators for measuring process performance; and 7) establishment of business fundamental measures. The first 3 steps of this process are handled by top management, with the defined over-all goals supported by the rest of the organization through steps 4-7.

An important aspect of the Hoshin process is the regular review of the defined plans. It is not enough to have a documented plan - it needs to be checked against actual performance. Hoshin plans must undergo a major review at least once a year. During review, Hoshin plans are usually presented using Hoshin review tables, each of which shows a single objective and its supporting strategies. A group or individual responsible for several objectives therefore needs to generate several review tables in order to cover all objectives.

The following details must be shown for each strategy in the review table: 1) the strategy owner(s); 2) the timeframe; 3) the performance metrics; 4) the target(s) for each strategy as defined during the Hoshin planning process; and 5) the actual results at the time of the review. Any discrepancy between the target and actual results, whether positive or negative, must be noted along with the impact of the discrepancy on next year's plans. As mentioned earlier, hoshin plans are hierarchical in nature, cascading from the top levels to the lower ones, so review tables must likewise cascade upwards.

Reflection, which is the analysis of what went right or what went wrong in each strategy, is an important aspect of hoshin reviews. Determining objectively what were done right in strategies

that attained the desired results and what need to be improved in strategies that failed to hit their targets is required in the organization's learning process. Analyses of how the strategies fared must be done in terms of detailed supporting data.

There is actually another set of tables used in Hoshin planning, i.e., the strategy implementation planning tables. Implementation plans are used to identify the tactics or action plans needed to accomplish each strategy. Implementation plans usually present the following information: 1) the tactics needed to implement the strategy; 2) the people involved in each tactic and their exact responsibilities; 3) the timeline of each tactic, usually presented as a Gantt chart; 4) performance measures; and 5) how and when the implementation plans will be reviewed. Key strategies cannot be pursued effectively unless the company's operations are sound and stable. This is the reason why the Hoshin planning process also involves the definition of business fundamentals and their metrics, which are documented in a business fundamental table. Business fundamentals, or the basic elements that define the success of a key business process, are monitored through its corresponding metrics. These business fundamental metrics indicate whether or not the various value-adding operations or activities are doing well. BFT figures must be in control before the long-term strategies are attended to.

Lastly, Hoshin planning, to be truly effective, must be cross-functional, i.e., they must promote intra- and inter-process cooperation. This only reflects the reality that the various departments of a company need to support each other in order to achieve remarkable synergistic results.