The Hoshin Kanri Memory Jogger

Process, Tools, and Methodology for Successful Strategic Planning

Joseph Colletti
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Acknowledgements

Special thanks first go to Bob King and the leadership team of GOAL/QPC who started me on this Hoshin journey with a study mission to Japan in 1991. It was on that trip that I first became aware of the scope and power of Hoshin as a strategic process. Upon returning home, GOAL/QPC gave me the chance to pioneer the introduction of Hoshin in organizations across the country. This put me in a position to participate in the many adaptations and variances in the evolution of the Hoshin methodology over the past twenty years.

Thanks also go to my clients who have participated in the development of Hoshin as we attempted to implement it in their various organizations. In the early years, we struggled together to figure out how to take the sophistication of the Japanese Hoshin Kanri system and to successfully modify it for their operations. In these later years, my clients have built their programs on the experiences and learnings of those early pioneers and, in doing so, have taught me much about the core elements of Hoshin and what its most powerful attributes are. My appreciation also goes to Jack Brown and Ellen Domb for their suggestions and insights in this Memory Jogger’s review process.

And, finally, a thank you to the board of GOAL/QPC, which has encouraged me to write this Memory Jogger. It has offered me a way to pass on what the last 20 years have taught me to those who are looking to effectively lead their organizations into the future.

Joseph Colletti
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Introduction

The Hoshin Kanri Memory Jogger™ is designed to be an educational and execution-focused resource for the successful creation, deployment, and monitoring of an organization’s strategic plan. The emphasis of the book is twofold:

1. To provide a step-by-step guide on how to implement all three major elements of the Hoshin system:
   - The creation of the strategic plan
   - Plan dialogue and deployment
   - Plan audit/modification and upgrade

2. To provide a solid understanding of the mindset that sets the context for all Hoshin implementation efforts and the disciplines it requires

Accordingly, this book is divided into two parts and chapters within these parts that reflect each of these key areas of focus. If the reader is not familiar with the Hoshin history or process, Part 2 of this Memory Jogger on the Hoshin context is a must-read. To jump into the Hoshin process without understanding the fundamental concepts that underlie it is an invitation to disaster. The Hoshin mindset is radically different from typical Western paradigms. Once understood, its elegance and simplicity will change not only the manner in which the strategic planning in an organization is done but also the way in which organizational executives and leaders do the rest of their work.
Part I of this Memory Jogger can be utilized as needed by those familiar with Hoshin:

- **Creation of the strategic plan.** For those leaders who are looking to enhance their strategic plan generation process. The tools and Hoshin concept applications outlined in this section can enhance many of the contemporary strategic plan generation methodologies currently in use.

- **Plan dialogue and deployment.** For those leaders who have already created a strategic plan with identified goals and metrics and want to improve the effectiveness of their deployment process.

- **Plan audit/modification and upgrade.** For those leaders who have already deployed a strategic plan and want to create a better way to monitor progress against the strategic goals and objectives.

Part II provides a brief overview of Hoshin history and its conceptual framework. It also addresses the common pitfalls and assumptions related to Hoshin implementation. Finally, it contains some advanced options and tools for Hoshin implementation efforts.

Each section of this Memory Jogger is comprised of chapters that detail the individual process sequences and steps to be taken in Hoshin kanri implementation. The tools you might use in each sequence or step can be identified at the beginning of each chapter. The mechanics of how to use the management and planning (M&P) tools are covered in great detail in *The Memory Jogger 2™*. Variations of the M&P tools utilized in the Hoshin system, however, will be discussed and visually captured. In addition, there will be tips on traps to avoid in using the tools in this process.
Map of Hoshin Process

1.1 Clarify Organizational Mission/Identity
1.2 Complete a Situation Appraisal
1.3 Create Vision of Future State
1.4 Develop Organizational Goals to Achieve Vision
1.5 Establish Measures for Goals
1.6 Prioritize Hoshins/Breakthroughs
1.7 Identify Strategies to Attain Goals
1.8 Capture Goals and Strategies in Visual Format

2.1 Next Level Down (NLD) Cascade and Communication
2.2 Development of Objectives and Projects
2.3 Creation of the Unit (NLD) Matrix
2.4 Expansion of the Top-Level Matrix
2.5 Conduct the Walkabout Meeting
2.6 Finalization of the Plan
2.7 Subsequent Plan Deployment

3.1 Individual Review
3.2 Project/Group Review
3.3 Unit Review
3.4 Top-Level Review
3.5 Year II Plan Input and Upgrades
Finally, the appendix will include examples of Hoshin matrices and other visibility forms adapted from a variety of different organizations.

This Memory Jogger is meant to be both a reference text and a guidebook. As noted above, this book does not have to be read sequentially but, depending on the reader’s specific interest or need, the following section/chapter configurations are recommended:

- If you are creating your strategic plan: Chapter 1
- If you are deploying your plan: Chapter 2
- If you are monitoring your plan: Chapter 3
- If you want to understand the context for hoshin kanri: Chapter 4
- If you want to be aware of hoshin pitfalls and assumptions: Chapter 5
- If you are looking for advanced options and tools: Chapter 6

It is important to note that it is possible to begin using Hoshin in the middle of a plan year by converting current plans into matrices. Such a utilization of the Hoshin process midstream in a strategic planning process will make visible many of the upstream deficiencies (i.e., lack of good metrics) in the planning process. That being understood, taking an evolutionary approach to Hoshin implementation (i.e., “We are learning to do this...”) becomes imperative.
Preface

One of the breakthroughs of the Japanese quality system was to expand the thinking of quality from just products and services to include the quality of product design, quality function design (QFD), and the quality of planning: Hoshin Kanri, also known as policy deployment or just plain Hoshin. Let me salute my mentor Yoji Akao for his major contribution to this area and for providing his American student with such extensive guidance and access to Japan’s leading Hoshin companies.

Toyota is a major practitioner and model for Hoshin in Japan. It’s approach has been to use five-year consecutive plans. Each five-year plan starts with months of preparation by the chairman followed by initial deployment and catchball (discussion vertically and horizontally) to make sure there is alignment and to make sure that each element will contribute to the planned breakthrough. The director of planning assists the CEO and each senior executive in accomplishing this. The result has been tremendous improvement of not only Toyota but also the automobile industry in general. Kayaba, an automobile supplier, also made major strides in anticipating Toyota’s needs. As turnaround time shortened, it established its own R&D team to develop new products ahead of Toyota’s request, so it dramatically shortened turnaround time.

Kobayashi Kose, a cosmetic company, has a much different approach to its Hoshin. It has a rolling three-month plan. The salespeople gather the interests and buying patterns of the customers and then funnel
this information up the management chain to make sure their company is the leader in responding to and anticipating customer needs.

Juki, a Japanese sewing machine manufacturer, used Hoshin to simplify and automate its manufacturing process as well as the processes of its customers. Juki developed an assembly line that required less and less worker involvement. The line produces varying machines in any order the company needs with no change over process. The process eventually became so automated that the workers at the end of the second shift could turn off the lights and go home while the assembly line continued to make sewing machines for the entire third shift. Juki has added software to the sewing machines that its customers can set to automatically make any kind of seam or button-hole that they require.

Komatsu used its Hoshin to assure dominance in large vehicle manufacture for many decades and to assure the highest level of employee involvement in continuous improvement. Software and satellites enable Komatsu to monitor machine performance in the field and to make changes and improvements to the machine performance remotely while it is in the field.

These examples and models have been a great help in implementing Hoshin in the United States. We were able to assist Procter & Gamble in implementing Hoshin in the late 1980s’ and the company is still practicing it today under the internal name of OGSM—objectives, goals, strategies, and measures. It has helped maintain a leadership position in many areas and helped P&G generate billions of dollars in financial benefit.
Hewlett Packard implemented Hoshin in the early 1980s. Its interest was stimulated by its Japanese division, which went from the worst to best division between 1975–1980 as it competed for the Deming Prize. HP’s Hoshin in the 1980s was to improve their quality tenfold. HP’s healthcare division became a model for Hoshin implementation. When Philips bought the healthcare division of HP, that division helped Philips deploy Hoshin throughout the corporation.

Jack Welch at General Electric used Hoshin to help him make GE number one or two in each of its business markets. As employees left GE and went to other companies, Hoshin skills were spread to hundreds of organizations.

Joe Colletti has been a national leader in coaching companies on Hoshin for two decades. In writing this Memory Jogger, he has brought together the experience of many of the companies referenced in this preface as well as others with which he has worked. I hope this Memory Jogger is a good reminder of lessons learned in your Hoshin training. Be assured that GOAL/QPC will be happy to provide you with additional training and coaching to assure your company’s success through Hoshin planning.

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The Hoshin Paradigm: Visibility

The core mindset that underlies the entire Hoshin process is to utilize visibility in all phases of one’s work.

Visibility is the taking of the complexity of what an organization (or team or individual) is confronted with and capturing it in visual formats that allow that information to be manipulated, analyzed, prioritized, communicated, dialogued, and monitored.

The critical concept here is that visibility is not just a tool—it is a mindset. It is a fundamental approach to the way one does his or her work.
The critical questions asked by a person who has a visibility mindset might be:

- Looking at the complexities of my work, how have I made them visible?
- What maps do I have of the projects I have in place?
- How do I create visibility around what I am trying to do or manage?
- How can I use visibility to reduce the amount of time I spend communicating to others and participating in meetings?
- How useful are the visibility forms I now use? How might I modify them to make them more effective?

Even a cursory overview will show that what gives the M&P tools their power and effectiveness is their capability to display a complexity of information in formats that can be readily analyzed and assessed by an individual or team. Hoshin maximizes the use of these tools—especially matrices—in each of its major phases.

**Use Visibility Tool Variants for Strategic Plan Creation**

**What Is It?**

The M&P tools used in this strategic step will vary according to the strategic planning analysis process used by the leadership team. The M&P tools most frequently used at this step are variants of:
Affinity diagram
- Interrelationship digraph
- Prioritization matrices
- X/Y matrices

**Why Use It?**

As noted above, one of the key benefits of the underlying methodology of Hoshin Kanri is that it helps to create visibility around all the key elements of the complexity required by strategic planning. This means that from the very first steps in the process, the leadership team will use the M&P tools and visibility charts of their own creation to capture all of their deliberations, analyses and strategic goal creation processes. In this manner, the leadership team can amplify its own creativity and insight in the creation and setting of the organization’s strategic direction. In addition, the visibility generated by the tools will be used to communicate the details of the plan to the rest of the organization.

**How Do I Do It?**

As the leadership team develops its strategic organizational goals, it will use the M&P tools to capture the flow of its analysis and its decision making. Whatever strategic goal generation process it chooses to use, the team makes each key element of the analysis visible. This means that the team will utilize the M&P tools in ways that are of its own creation. For example, in its prioritization of strategic drivers, the team may
develop criteria for determining the direction of the influence arrows based on its own experience with the interrelationship digraph. Accordingly, it might establish a criteria such as “operational variables automatically drive the support variables.” Likewise, when the leadership team has decided what the goals and strategies for the organization are, it will capture them in a matrix of its own design. For example, some teams prefer an X/Y matrix/tree chart, while others utilize a more complex four-sided X matrix. As an organization’s experience with the Hoshin process evolves, the detail and specifics of the planning matrices will change over time.

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XYZ Hoshin Plan - Top Level

Goal A

Goal B

Goal C

Goal D

Goal E

Goal F

Goal G

Goal H

Goal I

Goal J

Goal K

Goal L

Goal M

Goal N

Goal O

Goal P

Goal Q

Goal R

Goal S

Goal T

Goal U

Goal V

Goal W

Goal X

Goal Y

Goal Z

High Impact

Some Impact

Low Impact

Strategies

Objectives

Team Support

Unit X

Unit Y

Unit Z
Set the Organizational Language Foundation

What Is It?

The linguistic elements that need to be defined are those that make up the strategic hierarchy used in the organization. See a few of the possibilities in this example:

In addition to defining each of the above elements, the relationship among them must be defined and a hierarchy must be created. This ensures that when there is discussion of a particular level of detail in the hierarchy, everyone understands what is being spoken about.

In traditional Hoshin programs, this hierarchical structure was called a *target/means cascade*. The targets were the *what* and the means were the *how* of a strategic level. The means at a higher level became the target of the next level down in the hierarchy. At that next level, lower-level means were then generated. This practice, while logically consistent, was very confusing, and as a
result the terminology of target/means cascade is not widely used anymore.

The setting of the terminology and its hierarchy is established by the executive leadership team. The team must be part of this discipline from the very start of this process. The importance of consistency of terminology must be reflected from the top of the organization.

Why Use It?

The first step in the Hoshin process is to define and agree upon the terminology and linguistic hierarchy that will be used in the planning process. Without creating this organizational language, there will be constant confusion about what is being discussed. Many organizations just presume that everyone understands what mission, vision, goal, and strategy are; this is a mistake. In order to properly use the Hoshin process, everyone needs to be using the same language as they discuss the scope and reach of the plan.

How Do I Do It?

The leadership team first determines and defines the terminology it will use and then establishes the hierarchical relationship of those elements. At first this might seem to be a waste of time, but this step minimizes the possibility of confusion and miscommunication throughout the entire process. The key term list and chart that follow are some examples of terminology definition and hierarchy. The planning element hierarchy outlined in the chart will be the hierarchy used throughout this Memory Jogger.
Strategic Alignment Key Terms

**Vision Statement.** A brief description of the *future state* an organization wants to attain as it executes its mission over a specified period of time.

- What is our picture of the future?
- What do we aspire to become over this planning horizon?

**Mission Statement.** A description of the *unique value* that an organization offers its customers, representing the organization’s *identity* and *purpose*.

- Who are we? What business are we in?
- What do we do that is a value for those we serve?

**Goals/Hoshin Goals.** Statements describing the *high-level outcomes* or *breakthroughs* an organization must accomplish in order to achieve its vision. The Hoshin goals are the high-priority goals.

- What are our main focus areas to attain our vision?
- What breakthroughs do we need to focus on?

**Strategies.** Summary descriptions of the *most important areas of organizational effort* that must be accomplished to achieve the goals of the organization.
What major accomplishments are necessary to fully achieve this goal?

**Objectives.** Statements describing the clusters of projects or programs that are required to achieve a strategy.

What are the major things we need to do to achieve this strategy?

**Project.** A set of tasks for attaining new and unique deliverables whose success directly supports the achievement of an objective.

What are the new/unique activities that represent the most important or breakthrough components of success for this objective?

**Operational Focus Work.** The day-to-day work activities to be concentrated on or improved in order to meet an objective.

What are the work processes we need to focus on and upgrade in order to achieve this objective?

**Measures.** The indicators used to determine and monitor the successful achievement of each level of the strategic hierarchy.

How do we know that we have completed or achieved our desired outcome?

**Operating Principles.** A set of guiding principles that create the context within which the organization operates: integrity, transparency, etc.
The deployment sequence is the most important part of the strategic planning process. The most ideal strategic plan is useless without a deployment process that effectively cascades the plan down through the organization. What differentiates Hoshin from other strategic deployment processes is its catchball or dialogue feature. The goals and strategies of the organization are not directly deployed down the organization hierarchy but are dialogued up and down the organizational chain. The term catchball was initially used as an English translation for a Japanese baseball concept of playing catch with a baseball by throwing the ball back and forth among all the players. More contemporary translations use the concept of horizontal and vertical dialogue to describe what happens in the deployment process.

This catchball or dialogue process enables the organization’s leadership team to validate the feasibility of the plan that they have created in the creation sequence. It is also able to engage other levels of organizational management and employees in the strategic planning process, thus gaining the benefit of
their insights, wisdom, and buy-in to the achievement of the plan. Not only does this deployment process legitimize the strategic plan for senior leaders but it also helps to ensure that each level of the organization gets the capital, human resources, and support it needs to successfully achieve its respective plan commitments.

**What Is It?**

The first step in this sequence is for leadership team members to meet with their respective direct reports and key individuals in their operating units. They review how the Hoshin goals, other goals, and strategies were derived and then work with their respective teams to begin the process of developing that unit’s contribution to the strategies that impact its function.
Review Sequence: Monitoring, Modification, and Year II Upgrades

The review sequence is a critical part of the Hoshin process because it provides for the consistent monitoring of status and progress against the strategic plan. It includes focused problem solving at all levels of the organization, capturing lessons learned, and maintaining visibility to manage plan modifications over time.

What Is It?
In order to track the status of the strategic plan over time and to be able to respond in a timely manner to plan problems and issues that arise, the leadership team must have a disciplined process and the visibility to capture the plan details.

Why Use It?
Using the review sequence flow and tools, the leadership team can focus on broader issues that confront the organization in the achievement of its Hoshins rather than getting caught in micromanaging the effects of individual events. It can take action before problems get worse and minimize the possibility of being surprised by deviations from the plan.
How Do I Do It?

All levels of the organization are involved in the review process. The leadership team is responsible for maintaining and sustaining the review process over the plan year.

There are five major steps in the review sequence:

1. Individual review
2. Project/group review
3. Unit review
4. Top-level review
5. Year II plan input and upgrades

These steps are linked in an upward flow from the bottom to the top of the organization. The first three steps (3.1-3.3) are done on a monthly basis. The top-level review is frequently done either bi-monthly or quarterly. The input and upgrades step is done as part of the following year’s strategic planning process.
INTRODUCTION TO HOSHIN KANRI

Origin and Definition

Hoshin kanri is a strategic planning system developed by Japanese organizations in response to the challenges they encountered in the implementation of their quality improvement efforts in the early 1950s. As they began their process improvement efforts by training and then leveraging the expertise of those closest to the operational processes, they discovered that unfocused process improvement resulted in a multiplicity of unintended impacts and consequences. It was clear that there had to be a way to focus their organizations on strategically important functions and processes so that the creative energies and efforts of their people would be aligned with where and how the organization needed to grow.

At this time, the most widely used strategic system in America was management by objectives (MBO). Studying this system, the Japanese recognized that it had some significant deficiencies:
It was primarily a vertical cascade of goals and metrics from the top to the bottom of the organization. There was no mechanism for horizontal alignment across the organization that would prevent departments and functions from competing with or undermining one another.

There was little opportunity for dialogue or communication among levels of the organization as plans were deployed and implemented.

There was no common vehicle for the top levels of management to monitor the plan as a whole and to identify and respond to problems as they arose.

To address these issues, the Japanese developed Hoshin Kanri (a ship in a storm traveling in the right direction or compass needle). Fundamentally, Hoshin is an upgraded MBO process made visible. Using the visibility created in the process, opportunities were created to deploy a strategic plan both horizontally and vertically. In addition, in the deployment process, the visibility could provide a dialogue tool for horizontal alignment and feedback on the initial plan itself. Having created visibility around the deployed plan, the same visual tools could be used to monitor and adjust the plan over time. The following graphic illustrates a MBO/Hoshin flow comparison.
PITFALLS AND TEMPTATIONS

Like any other process, the Hoshin process is not perfect. Just because an organization uses Hoshin as a strategic planning methodology does not mean that the strategic plan will be achieved. Hoshin is not a guarantee. For example, in the creation sequence, the identification of and response to the drivers by the leadership team is subject to the limitations of the data at hand as well as the assumptions and biases of the leadership team itself. What this means is that the wrong plan could easily be deployed successfully.

Within the Hoshin process itself, there are also some pitfalls and temptations that must be constantly monitored in order to have an effective process. The major ones are described in this chapter.

Visibility = Vulnerability

The visibility created in the Hoshin system creates a new level of vulnerability across the organization. There is no way to hide poor performance. This makes
participants very uncomfortable, especially if leadership succumbs to the temptation to reprimand any yellow or red status project or objective champion.

**Prevention/Minimization of Impact:**

- The leadership team must agree ahead of time on how it will respond when items are identified as red or yellow status. The first questions from the team should be about what support or resources are required to get the project or objective back on track. The focus should be on the work itself and not the people involved. The leadership team should insist on being presented a recovery plan upon which it can take action if required. The team should also insist on a record of the lessons learned about the situation that created the deviation from the plan.

- The leadership team may also encourage other groups within the organization to support the project that is in trouble. In this way, project issues are not just the concern of a particular unit but rather of the entire organization.

**Lack of Process Discipline**

It is very easy, especially in the fourth, fifth, and sixth months of the review sequence, to begin to defer the review meetings. This situation arises when the day-to-day pressures of operating the organization begin to take away from the strategic momentum created by the planning effort. This is especially true if the progress against the plan strategies is going well and all categories are green or yellow. It is easy for the
organization to lose focus. Once this happens, experience has shown that strategic efforts begin to slow and even stop until the next time there is a review.

**Prevention/Minimization of Impact:**

- The solution to this pitfall or temptation is to commit to a strict discipline of having at least quarterly leadership review meetings and monthly unit review meetings. Even if everything is green, the review should be done because it sends a signal to the organization that the strategic plan is a priority for the organization—especially the Hoshin goals.

The additional value of having the regular review is that the organization can focus on the lessons learned aspect of its planning process and thereby amplify what it has done well. The three-part question to be asked is: How can we maximize what we have been doing well, extend it to other parts of our planning processes, and standardize what has made us successful?

**Hoshin Evolution**

Failure to recognize that there will be an organizational learning curve is another pitfall. The first versions of Hoshin visibility are usually crude and simplistic. Trying to go immediately to a complex Hoshin is a temptation that will overload and overwhelm the organization. There is also the temptation to create mega matrices to micromanage performance.
Prevention/Minimization of Impact:

- The leadership team has to be willing to work with simplistic formats in the first year or two of its Hoshin implementation. While it is true that the more sophisticated versions of Hoshin templates offer more extensive level and depth analysis, the organization is best advised to go slowly in its implementation of the Hoshin formats and cascade process. This is not easy to do because the visibility created by the Hoshin process is seductive. Once leadership team members recognize the power of that visibility, they will want more detail because it would, on the surface, give them more control over what is happening in the organization. Under the surface, however, organizational dynamics have to adjust to the use of the visible matrices to track progress against the plan.

- Another fundamental understanding is that any Hoshin formats utilized by the organization will evolve over time. Matrix templates used by organizations get more and more refined as the organization learns to manage itself using the new visibility tools.

- One of the most common temptations is to create an organizational mega matrix that includes all goals, strategies, objectives, and projects that constitute the entire strategic plan. In addition to the administrative nightmare of maintaining such a chart, its sheer size and complexity ends up hindering understanding and makes it a less useful tool in the review sequence. Simple
math using the rule of four will demonstrate the potential complexity of such a mega matrix:

6 goals
24 strategies (6 x 4)
96 objectives (24 x 4)
384 projects (96 x 4)

= a 510-line spreadsheet matrix

The key to managing this problem is to keep the projects on the unit-level matrices—where the management focus belongs. This also minimizes the temptation for the leadership team to micromanage what is happening on the project level.

Hoshin Assumptions

There are four basic assumptions that underlie any attempt to implement and execute a Hoshin process in an organization. Because they are not always immediately observable, they are usually missed unless the leadership team is aware of them. This awareness should color all interactions among all levels in the organization. The four assumptions are:

1. In order for Hoshin efforts to be successful, the organization must be engaged in ongoing daily management disciplines. Daily management disciplines involve the ongoing practice of process improvement, system upgrades, and process standardization. Usually the achievement of Hoshin
goals generates breakthroughs in organizational systems and processes. As these new processes are implemented, the organization must have the capability to standardize these new processes so that the initial gains achieved by their introduction are sustained over time. In addition, as the organization gains experience with the new processes, it creates the basis on which these processes can be improved. In many cases where there are no daily management disciplines in the organization, the time, resources, and hard work of implementing the process breakthroughs are lost once the focus of attention shifts to other Hoshin efforts. Daily management is the key to combating organizational resistance and inertia so that the organization can remain healthy and competitive.

2. **Throughout the Hoshin process there should be dialogue without fear.** In order for the catchball or dialogue process to work effectively (especially in the walkabout and review steps), all employees must be able to accurately reflect what is happening without fear of reprisals. Simply stated, leadership cannot shoot the messenger. Once the first messenger is shot, the system will come apart. Data and critical information will be obfuscated and concealed. The unit matrices will not accurately reflect the status of the plan. It is imperative that if systems become visible, it is determined that the king has no clothes, the organizational response is a process-focused response, not a people-blaming response. Having an environment where individuals can problem-solve without fear of personal reprisals is a key to organizational success.
OTHER OPTIONS AND TOOLS

There are several options that can be used in parallel with the Hoshin system implementation that can power up the performance of the organization. The first option is to connect the management and individual compensation performance appraisal metrics to performance against the top-level and unit matrices of the organization. A second option is to use the tools/flow of the Hoshin process in unit or project efforts.

As an organization gets accustomed to using the Hoshin/visibility mindset, it may choose to change its Hoshin templates to a more sophisticated and advanced format. The X matrix is a popular tool that can be employed in place of the spreadsheet X/Y template. A different X matrix is designed for each level of the organization.

All of these options will be reviewed in this chapter.
Link Management Performance Appraisal and Bonuses to the Hoshin System

Because of the visibility created by the top-level matrix and the unit matrices, it is quite easy to connect overall management performance assessment to the details of the top-level matrix. Historically, managers (and employees) are paid based on their individual performance. This usually results in vertical optimization of organizational resources and cross-functional conflicts. Part of the reason for this was that there was no clear way to identify the performance of a team or group. With the Hoshin matrices, everything changes.

The top-level matrices and the unit-review matrices provide information about how a group has performed over the past year. Here is how this might be leveraged with an appraisal system that promotes group success while at the same time rewarding individual effort.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Max Bonus</th>
<th>Payout %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Performance vs. Individual Goals</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Project Team Success</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Unit Achievement of Unit Objectives</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Achievement of Top-Level Goals</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
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