

# Managing on Purpose

**Using hoshin kanri to develop strategy, align teams,  
grow leaders, and innovate your enterprise**

**by Mark Reich**

**Foreword by Jeffrey Liker and John Shook**

Lean Enterprise Institute  
Massachusetts, USA  
[www.lean.org](http://www.lean.org)

Version 1.0  
March 2025

# **Contents**

**Foreword**

**Introduction and Purpose**

**Part 1: Where to Start?**

**Part 2: Developing the Corporate Hoshin**

**Part 3: Developing Department Hoshin**

**Part 4: Execution and Leadership Development**

**Part 5: Reflection and Adjustment**

**Part 6: Sustainability and Long-Term View**

**Part 7: Epilogue**

**Acknowledgments**

**About the Author**

**Appendix**

Hoshin Worksheets, Templates, and Tools

Turner Construction: Managing Strategic Objectives

## Introduction and Purpose

In 2011, after 23 years in Toyota, I left and decided to share what I had learned with other organizations. In Toyota, including seven years as an executive in Corporate Strategy in North America managing the hoshin kanri process, I had seen the power of connecting strategic goals at executive levels with operational goals and frontline teams on the shop floor. It was extremely effective in aligning goals, prioritizing actions, achieving breakthrough results, and developing a learning culture.

In my early visits to companies as a member of the Lean Enterprise Institute (LEI), I was surprised by the serious gaps I saw in how executives viewed strategy and nearly ignored the importance of alignment up, down, and across their organization. And there was almost zero focus on drawing the best from people at all levels.

Executives were interested in hoshin kanri and valued my experience as a Toyota veteran who had led it. They struggled with how to translate strategies that they developed in small executive groups into real-world actions. Efforts often did not go beyond creating a high-level plan of objectives and defining projects. Some were familiar with the X-matrix—which I had never encountered at Toyota—and believed that if they filled out the form correctly they would have aligned goals. However, what they really had was management by objectives: “Here is what I need from you. Please get it for me.”

In contrast, at Toyota we made every attempt to extend hoshin plans from the board of directors in Japan to every function in North America down to the working level. There was a great deal of communication up and down the organization and across functions. There were A3s circulating that described our challenges and opportunities and how to tackle them.

Management valued their responsibility to coach their team members, and team members appreciated being coached. It was never enough to agree on outcomes. Coaches expected fact-based plans for achieving outcomes. Plans were driven by feedback and results from the gemba—the place the work was being done. The back-and-forth and discussions were intense, and everyone learned so much.

The gap between what companies expected from strategy and what we did at Toyota was huge. In most cases, leaders thought that their strategies—developed by a select team of executives and tied to metrics, most often financial—would produce big business results. But rarely did that occur, and if it did, success was episodic, not sustained.

My approach to working with leaders was, like everything else I'd learned in Toyota, hands-on. I helped them build capability to do hoshin kanri in their organizations through practical application. I soon realized that I also needed a way to quickly educate people on the practices and principles of hoshin kanri, where they could experience the process without fear of failure, understand its benefits, and contrast it with their current practices.

For this purpose, I decided to develop a hoshin kanri case study. It needed to address the complexities of real organizations in the dynamic environments we all face. It also needed to be manageable in a workshop format. The result is the fictional story of TrueMowers. It's a composite of actual situations I experienced—and it works. It engages people, and I can see the change in their thinking as they work through the hoshin kanri development process with the executives at TrueMowers.

I decided to spread this learning by writing this workbook, *Managing on Purpose*. Its goal is to assist you in understanding and implementing hoshin kanri to determine the future direction of your organization, to define and align objectives annually to achieve long-term goals. It's also about growing the capabilities of all your people for your organization to perform more reliably and competitively at a higher level.

Many people tell me that the TrueMowers story reflects a lot of their own challenges and offers practical ways to overcome them. Of course, each company is unique and your challenges may be different.

After years of teaching my hoshin kanri class and working directly with people in various industries (e.g., healthcare, construction, government, manufacturing) of different sizes around the world, it became clear to me that hoshin kanri can help anywhere. While TrueMowers is a medium-size company, nearly all of the management systems presented are applicable for any size company. Some processes can be simplified and less formal in a smaller organization, where communication is often more fluid and there are fewer layers to navigate.

Another note about the story: To introduce the network of management systems that are a part of and link to hoshin kanri, the TrueMowers executives take on a lot in their first full year—including corporate and department hoshin, application of A3s, and other lean methodologies. Merely copying the workbook's sequence of activities is not recommended. You must adjust the introduction of hoshin kanri to the current state and capabilities of your organization. Based on your needs, you may choose to introduce the methodologies with a different structure over a different time span.

This workbook will explore the purpose, thinking, and implementation of hoshin kanri in a simplified structure with some helpful tools. Due to the dynamic nature of hoshin kanri and its varying applications, I will frequently break from the TrueMowers story and speak directly to you when a deeper explanation of basic thinking is needed. As you go through the workbook, you will also find call-outs highlighting hoshin from different industries (*Hoshin in Action*).

Finally, this is not a step-by-step, one-size-fits-all workbook. If hoshin kanri were that simple, everyone would do it. In fact, I can tell you that every year at Toyota it was a challenge to continue the level of rigor needed to get the most from hoshin kanri. I don't expect you to be fully successful on your first try, but I believe hoshin kanri will provide you with the fundamental thinking and practices to advance your lean journey and build greater success, capability, and motivation in your organization.



## What Is Hoshin and Hoshin Kanri?

Let's begin by reviewing a few terms that appear frequently in this workbook: hoshin, hoshin kanri, and strategy.

**Hoshin:** Fundamental direction or policy.

**Hoshin Kanri:** Management system for strategy that defines mid-term and long-term direction (objectives and targets) and annually builds alignment—vertically and horizontally—to the direction, manages annual execution to the direction, and develops the capability of people throughout the organization.

**Strategy:** Specific decisions and determining actions that position an organization to achieve an overarching goal and competitive advantage.

Hoshin kanri has existed since the 1960s in Japan as part of Total Quality Management, established as a key structure to build quality. TQM was born out of the general quality teaching of W. Edwards Deming and others to Japanese companies in the 1950s, and is often directly attributed to the work of Japanese quality expert, Yoji Akao.

In Toyota, both the terms *hoshin* and *hoshin kanri* have specific meaning. As someone who speaks Japanese and managed hoshin kanri in Toyota, I feel it is often mistranslated in English to something like “policy deployment,” which pulls one potential meaning of the word *hoshin* and another from the word *kanri* and throws them together. It's like translating *hors d'oeuvres* as “apart from the main work” or “outside the main course,” obviously a bit too literal to describe an appetizer.

Hoshin kanri is composed of two words: The first, *hoshin*, means direction, objective, or intention. The Toyota executives I worked for tended to use the term in two ways. One referred to our general way of thinking about a particular subject. For example, our hoshin in regards to expanding growth globally was to produce locally and contribute to economies where possible. In this sense, the word was close to policy or basic thinking. In the second way, hoshin was used to refer to our future direction or strategy.

The second word, *kanri*, can be translated as *management* or *control*. If you think of this in the context of TQM, hoshin kanri is about building a system to define a *direction* and all that entails (defining a future vision, internal reflection, external market analysis, and determining where to go as a business) and the management of all that to align every part of the organization.

Since this was born out of the TQM movement, management means building high-quality processes for strategy development and execution. Since this was in Toyota, we believed in hoshin kanri as a method to develop people, particularly leaders.

The third word to clarify is *strategy*. Strategy is hoshin. When I was in Corporate Strategy at Toyota, our responsibility—utilizing the practices of hoshin kanri—was to define the vision, the annual corporate objectives, and the practices for aligning and executing on those objectives for the purpose of achieving both our long-term vision and our annual objectives and targets.

A lot has been written about corporate strategy, going back to Michael Porter’s seminal work *Competitive Strategy*,<sup>1</sup> which described how companies gain a competitive advantage through strategy. In *Playing to Win*, A.G. Lafley and Roger Martin define strategy as “an integrated set of choices that uniquely positions the firm in its industry so as to create sustainable advantage and superior value relative to the competition.”<sup>2</sup>

An entire industry exists to help companies develop strategy. Many of the organizations I worked with had established some form of strategy. It typically included key imperatives for the business and leverage points to achieve them. But these strategies were often developed at a given point in time, and at best displayed on a wall or sent to team members. Not surprisingly, most of these organizations struggle to accomplish many of the things in their strategy.

## **Hoshin Kanri at Toyota**

In large part thanks to the Toyota Production System (TPS), the world sees Toyota as a business innovator. But this only tells part of the story of Toyota’s power as a company. Toyota’s strength lies in identifying a critical business need and then rigorously considering ways to solve that problem.

For example, TPS wasn’t “invented” as a way to cut costs and reduce lead time. Huge strides had been made in creating flow and improving productivity by Henry Ford. But Toyota had to address an urgent business problem in the 1950s: a shortage of capital and space for plants and inventory. To survive, they had no choice but to reduce order-to-cash lead time (this means reducing all inventory) and produce more productively by better utilization of people and machines.

1. Michael Porter, *Corporate Strategy* (New York: Free Press, 1980).

2. A.G. Lafley and Roger Martin, *Playing to Win* (Boston: Harvard Business Review Press, 2013).



Toyota's adoption of hoshin kanri grew out of a search for a management system that was capable of sustaining high performance through structured PDCA (Plan, Do, Check, Act) thinking. Toyota applied the principles of TPS and TQM to their strategic planning process. The essence of TPS is the application of PDCA to eliminate waste and improve productivity. TQM is fundamentally PDCA applied to quality.

Toyota President Eiji Toyoda led the adoption of hoshin kanri to address quality. Despite having developed most of the aspects of TPS that led to catching up with the productivity of much larger companies, Toyota still wished to further improve quality. He recognized that quality was much more than an activity that could be managed in the factory and needed to involve all functions working together.

Hoshin kanri allowed Toyota to bring greater rigor to its processes beyond manufacturing and into its management system for administration and engineering. Mikio Sugiura (one of the three individuals instrumental in establishing hoshin kanri in Toyota, along with Masato Nemoto and Eiji Toyoda) explains in his book *Toyota's "Global Ten"* that Toyota first adopted hoshin kanri in the early 1960s as part of the total quality control (TQC) movement that Toyota was initiating internally.<sup>3</sup>

## **My Time at Toyota**

I joined Toyota in 1988, and from that time through 2001, in both Japan and North America, I experienced hoshin kanri as any team member in the company would. Toyota aligns its hoshin kanri process to its annual fiscal year. (When I worked there, the fiscal year ran from April to March.) In the last quarter of the fiscal year, our department would review our accomplishments for the year, reflect on those and how they connect to the company hoshin, and consider what might be some key issues in the upcoming year.

At the beginning of January, everyone received a message from the CEO with some key reflections and aspirations for the coming year. Shortly thereafter, our department would receive a high-level draft of the corporate hoshin. We would consider what our department might contribute and develop a department hoshin. I knew that a complete corporate hoshin was being developed concurrently, but only saw the final end product when our department general manager shared it with us. Later as a Manager at TSSC (the Toyota Supplier Support Center, which had a mission to teach TPS to the world outside of Toyota), I began to see that hoshin kanri was used to develop leadership capabilities in departments, while also pulling in functional perspectives needed for a realistic corporate hoshin.

3. Masaki Shibaura (a.k.a. Mikio Sugiura), *Toyota's "Global Ten": From Mikawa to the World* (Tokyo: Shogakukan, 2017).

In 2001, my career in Toyota took a big left turn, from helping outside companies at TSSC to moving into the role of Assistant General Manager of Corporate Strategy for North America's manufacturing hoshin process. It was a critical time for Toyota, and being in this position gave me excellent insight into how Toyota's global and North American hoshin process worked. It also was a time when Toyota was facing serious challenges across the organization.

Toyota doubled the number of vehicles sold from 1998 to 2008, with high growth in North America and China. It had truly become a global company. They went from just a few assembly plants in North America to multiple assembly and component plants (one plant could be a multibillion-dollar investment). Creating production capacity to satisfy rising sales required a huge effort. This was due in part to the production of many new vehicles migrating overseas rather than being imported from Japan, and thousands of team members and leaders from around the world joined Toyota in new manufacturing sites.

The first challenge for Toyota North America was recognizing that there was a challenge. Toyota was doing pretty well—why did it need to change? The second challenge was that rapid growth was creating a dilution of capabilities. Leaders had to promote people at a faster pace than was typical. The third challenge involved the increasing complexity of the new plants' relationships with Japan and each other, which impaired decision-making speed and common direction.

North American plants were basically operating as silos. To a certain extent, this was designed in since it was important that they work closely with their mother plants in Japan. This eventually forced self-reliance, capability development, and teamwork among the North American plants—with much reduced Japan support. Building a common purpose and objectives for Toyota North America became critical for success.

The hoshin kanri process was a key to this as it:

- Connected our purpose to the work of everyone.
- Defined how we would work together as a team.
- Clarified roles and responsibilities for leaders.
- Enabled rapid deployment of objectives to all levels of the company.
- Was the primary way to address our capability gap and develop the next generation of leaders.

## Beyond Toyota

With LEI, I've introduced hoshin kanri to many types of organizations, including a large appliance manufacturer, medium restaurant chain, large healthcare organization, large construction company, medium and large software companies, large and small furniture manufacturers, large and medium wire and cable manufacturers, and many others.

What I learned is that nearly all organizations struggle with common issues:

- Clarifying what the strategy should be.
- Narrowing that strategy down to a few key objectives to accomplish.
- Executing effectively on the objectives that have been established.
- Clearly defining the process for PDCA and developing the capability in the organization to achieve the objectives.
- Effectively building vertical and horizontal alignment to the objectives and a process to achieve the objectives.

I've also found that not all companies have the persistence to do the hard work needed to develop true hoshin kanri. Embracing and understanding the philosophies of hoshin kanri can convince executives to pursue this course and deliver value to the organization, even in the first year of practice.

### **The Value and Philosophies of Hoshin Kanri**

1. Hoshin kanri creates focus on the “vital few” objectives starting with the business challenge. It clearly distinguishes strategy from daily management.
2. Hoshin kanri facilitates alignment vertically and horizontally:
  - It coordinates activities and targets across functions.
  - It ties frontline problem-solving to organizational objectives, creating ownership and unlocking bottom-up innovation.
3. Hoshin kanri drives engagement by breaking down problems, clarifying roles, and defining responsibilities.
4. Hoshin kanri produces breakthrough results while developing capability for long-term competitiveness through rigorous PDCA cycles.

## Fundamental Thinking of Hoshin Kanri

While hoshin kanri is a complex undertaking, there are a few fundamentals that help frame it as an achievable endeavor from which most organizations will derive substantial benefit.

### **Hoshin kanri is a robust process to deliver results.**

Most organizations tend to view long-term vision setting and annual strategic planning as singular events. This is driven by leadership's determination that the primary purpose of vision setting and strategic planning is to deliver financial results, tying them to long-term profit targets and the annual budgeting cycle.

Typically, top management gets together annually to decide what needs to be accomplished by everyone—often based on a profit target—and communicates this to the organization. Leaders, middle managers, and others have to figure out how to achieve the targets and goals that have been set. A year later, all this happens again. And leaders wonder, “Why didn't we accomplish what we anticipated?”

Strictly speaking, annual strategy planning is a process, but often a poorly designed one. To many in the organization, it seems like an event that happens once a year, in which some management is involved, and people are accountable to deliver something. For those who deliver, there are often rewards (bonuses). For those who don't deliver, there are usually unfortunate consequences (no bonus, potential loss of employment). The burden of achievement is placed on individuals instead of the team or organization.

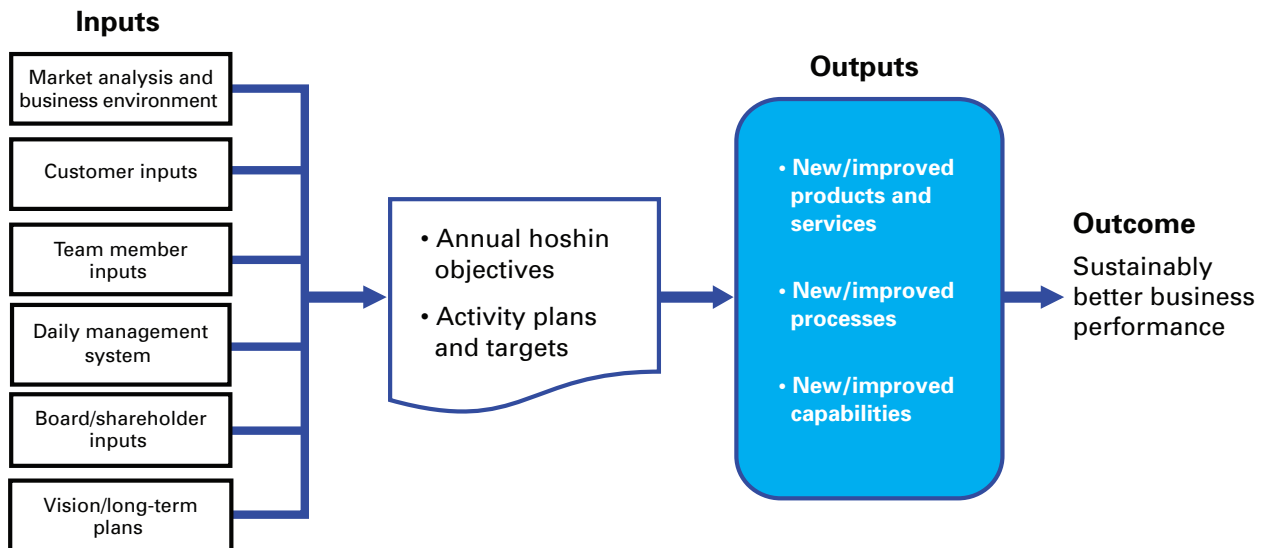
I learned through the work I did at Toyota that if you want to deliver good results, you have to continuously improve the process by engaging those doing the work and develop their capabilities. The things you want to achieve with a good strategy—defining markets to enter, developing and delivering products your customers will want, or building long-term viability for the enterprise—require improvements at all levels in the organization.

### **Hoshin kanri, vision, and daily management are needed to manage performance.**

Hoshin kanri is a structured annual planning process to set objectives, activity plans, and targets—and then to execute on them. It's an annual cycle based on inputs that incorporate longer-term (years) and shorter-term processes (days and weeks) to define progress.

Annual hoshin objectives should incorporate your True North and your long-term vision. Clarity of vision will give greater purpose to your hoshin objectives. What is the desired direction to build competitiveness and capabilities? Have you clearly defined what markets to be in, with what products, by when, and what capabilities are needed to get there?

## Annual Hoshin Inputs & Outputs



Hoshin kanri is predicated on building a sustainable process that delivers long-term results with clear roles and responsibilities defined. Like any good process, hoshin kanri has inputs and outputs and a process flow.

This speaks to your capability for envisioning and challenging the organization toward a new future. You also need to assess your daily management capabilities. Do you have a system in place to confirm progress? Are you achieving the daily results expected for safety, quality, cost, delivery, employee engagement, etc.? Should you incorporate daily management issues in your hoshin objectives? This speaks to the health and stability of your organization to take on breakthrough hoshin objectives.

In short, *vision* is where you want to go, *hoshin kanri* is how to get there, and *daily management* is building stability through continuous improvement. You need all three.

### **Hoshin kanri should address organizational purpose and the problems to solve.**

A repeated theme in this workbook will be identifying the fundamental purpose for an organization, analysis of the challenges it faces, and the problems to be solved to achieve its purpose. Consider the Lean Transformation Framework—a proven, systematic approach to resolving problems at every level of the enterprise. The framework asks five questions that organizations should answer as they undertake hoshin kanri.

### Lean Transformation Framework Questions

1. What is the value-driven purpose and the problem to solve?
2. What is the work, and how do you go about improving that work?
3. What are the capabilities needed and how do you develop those capabilities?
4. What management system and leader behaviors do you need, and how will you build those systems and behaviors?
5. What basic or fundamental thinking will guide you on the path of solving your problem and fulfilling your value-driven purpose?

Reflect on these questions as we go through the TrueMowers case. We will delve the deepest into question four and how to use hoshin kanri to create a strong management system, develop leadership behaviors, and build capability. We will also look at how A3 problem-solving supports the hoshin kanri process, helping to strengthen capability up and down the organization.

#### **Hoshin kanri works at both the corporate level and the operational level.**

In this workbook, you will see how a hoshin gets developed and executed via hoshin kanri at the corporate level, and then how the corporate-level hoshin gets broken down to next-level hoshin for a department, plant, regional office, etc.

There often is a lot of confusion around this aspect of hoshin kanri. I believe this is because it's easier to explain that something starts somewhere (in the case of strategy, at the top), followed by a linear progression of deployment down the tiers of the organization. And it's easier to classify areas of focus based on operational metrics like safety, quality, cost, and delivery. But this oversimplified approach tends to diminish the multiple, powerful purposes of hoshin kanri.

At the corporate level, hoshin kanri is a methodology to innovate and unleash thinking to build the competitiveness of your organization—products to make, markets to pursue, customers to serve. If your customers are looking for new products that you don't offer, limiting your goals to a standard set of metrics will limit your thinking. You need targets that align with the innovation you want to make. Hoshin at the corporate level should contain aspirational objectives that, as the name implies, allow the organization to aspire to a new, more competitive condition.

Hoshin is also a powerful method to build innovation capability at the operational level, with managers and team members trying new approaches to their work. In the case of operations, this focus is naturally more on the aforementioned metrics and targets that may align to those categories. But what if a plant is introducing a brand new assembly line and management wants to try a new method of automated material delivery to the line? This might go on a plant hoshin.

Hoshin kanri is an integrated, fractal system. It supports top-down/bottom-up innovation and builds horizontal alignment across organizations. In Toyota, each plant and department built their own hoshin, while integrating related objectives from the upper-level hoshin. This is very different than handing down corporate objectives and telling people what to do. It promotes an entrepreneurial spirit, managed and controlled through the alignment process. It built deeper engagement and more innovative thinking across Toyota.

#### **Hoshin kanri enablers that contribute to greater success.**

There are a number of factors that contribute to the likelihood of hoshin kanri being a success. However, are they necessary to undertake hoshin kanri? No. In fact, your company is likely missing one or many of the following enablers:

- *Organizational stability:* Good hoshin kanri is built over years of development. During the critical time of introduction, continuity of leadership will help with sustainment.
- *Leadership engagement:* Leaders need to be actively engaged. Hoshin kanri often requires change in management systems and leadership behavior. The head of the organization (company, unit, division, plant, etc.) should be fully involved, supporting, and sometimes pushing. This is not something a continuous improvement group or operational excellence department can govern. They can help, but leadership must be involved and make it clear that it is their initiative.

- *Model-line thinking*: I don't recommend, particularly in larger organizations, that the entire company take this on at once. So much is new and different from what most organizations have experienced. Pilot the methodology somewhere that is big enough (a business unit, division, or plant) that its impact can be demonstrated and lessons learned applied elsewhere. However, there should be some level of governing authority for the scope of hoshin kanri (i.e., application to a value stream could be complicated and difficult).
- *A culture of kaizen*: People often ask, "Do we start with hoshin in our lean journey?" It's possible, but not recommended. One reason organizations struggle with "getting the strategy done" is that once they start executing the hoshin, they discover weak problem-solving capabilities in the company. This can stall out the hoshin kanri process. Focus first—or at least concurrently—on developing problem-solving skills and systems.
- *Daily management system*: A daily management system that can identify operational problems and address them quickly will help your hoshin efforts. Absent this (where firefighting dominates managers' workloads) it will be difficult for leaders to maintain a structured hoshin process. A robust daily management system frees up time for all involved for both the work of hoshin kanri and performing their daily roles.
- *Long-term viewpoint*: Like any well-managed process, hoshin kanri requires good PDCA: planning, doing, checking, and adjusting. Its cycle is typically annual. You will learn many things and make adjustments throughout the first year, but it really takes a full year to see how well you did. Did your process generate good results? Do you need to do something differently to ensure a better process, better outcomes, and improved capability development of your people? Your patience will be rewarded.

All of these enablers are not do-or-die issues. No perfect condition exists, and barriers can be overcome. But the risks are big and should be carefully weighed. Implementing hoshin kanri, if done successfully, will bring substantial benefits. But it is a very visible, public, full-scale cultural change that must be led from the top.

For those in prominent hoshin roles, jobs and even careers may be on the line. Before proceeding, consider factors that could undermine the success of your hoshin kanri: Is there a big merger or acquisition planned? Do you have confidence in the capabilities of the management team? Is the company profitable and stable, or is this a last-gasp effort to save the business?



**Hoshin kanri is a methodology for people development.**

I saved this point for last, not to diminish its priority, but to make it a springboard for this workbook. Organizations that I've worked with tend to look at strategy as 1) a method to determine the company's direction (good!) and 2) a method to hold leaders accountable if they don't achieve the direction they planned (not good!).

You might say that the company pays leaders handsomely to lead, so they need to deliver results. Who can argue with that? But for better or worse, leaders are often chosen not because they have the skills to innovate or build capabilities in others, but because they did a respectable job in their previous role. At its core, lean is a methodology to develop people, and leaders are people, too.

In interactions with the lean community, I often hear people say, "If my CEO or VP would just get it, things would work." But senior management has a lot of responsibilities, often most importantly to build a profitable and growing business.

In what ways can leaders develop their own capability? Of course, they can attend seminars, take a class, or read. But this isn't the best way to learn and change behavior. The best learning comes from trying things, succeeding, failing, reflecting on what was learned, and repeating that cycle countless times.

Hoshin kanri is a methodology for developing leadership capabilities *on the job*. It is not a random approach that may or may not work. It's a structured approach of planning and executing strategy that allows leaders to try new approaches and priorities, and to learn from those approaches through long and short PDCA cycles.

When given the responsibility to take on an initiative that spans multiple functions, leaders have to learn to lead not through authority, but through engaging and collaborating with others. Hoshin is both a top-down and bottom-up approach for effectively collaborating across the organization, and leaders will need to lead by understanding the *gemba* of the problem they are trying to solve. And hoshin kanri provides opportunities for developing potential successors to the CEO, a job that requires cross-functional leadership.

Hoshin kanri builds problem-solving capability at all levels as high-level objectives get broken down and worked on across the organization. You will see through this workbook that when hoshin kanri is done well, people—from C-suite to the frontline—get developed on-the-job through the work.

## Hoshin Kanri—Key Terms

The following terms will be used repeatedly in the book and should become part of your vocabulary for undertaking hoshin kanri. Refer back to them as needed.

**A3 thinking**—A structured methodology to solve problems and to coach problem-solving developed in Toyota. The problem is summarized on one A3-sized sheet of paper (similar to 11" x 17" tabloid) and used to socialize and build alignment across the organization.

**Catchball, Horizontal**—Structured discussion between functions in an organization regarding hoshin objectives, activities, targets, and support with the purpose of building alignment to the hoshin.

**Catchball, Vertical**—Structured discussion between supervisors and team members on hoshin objectives, activities, targets, and support. Vertical catchball can serve two purposes: develop team capability and build alignment to the hoshin content. Alignment can happen bottom-up (team members provide input to potential hoshin content derived from content of the work) or top-down (the leader garners input and support based on expertise from those closer to the work).

**Corporate Hoshin**—Organizational objectives, activities, targets, lead, and support defined at the corporate level.

**Functional Hoshin**—Organizational objectives, activities, targets, lead, and support defined at the functional level.

**Hoshin**—Fundamental direction or policy. "Hoshin" can refer to the actual document or content representing objectives, activities, targets, lead, and support.

**Hoshin Activities**—Specific actions to address the hoshin objective. These are the "how" connected to the what and why of the hoshin objectives. They should be concrete and action-focused, e.g., "Establish pre-delivery testing capability of software."

**Hoshin Inputs**—Key items to consider in formulating the hoshin, including vision, mission, key stakeholder inputs (like customers, board, team members).

**Hoshin Kanri**—A management system for strategy that defines mid-term and long-term direction (objectives and targets) and annually builds alignment (vertically and horizontally) to the direction, manages annual execution to that direction, and develops the capability of people throughout the organization.

**Hoshin Lead**—The overall leader for a hoshin objective. Ideally this should be one person.

**Hoshin Objectives**—Statements crafted to explain mid-term and long-term organizational aspirations. Hoshin objectives should contain the what (targeted initiative to address the problem) and the why (business purpose) as part of statement, e.g., “Reduce software defects (what) in order to improve on-boarding experience for customers (why).”

**Hoshin Outputs**—Outcomes of the hoshin process, including new and improved processes and people development.

**Hoshin Support**—Other functions of the organization from which hoshin leads need support beyond the scope of their responsibilities.

**Hoshin Targets**—Can be overall targets to address the hoshin objective or detailed process-level targets to address individual activities. An overall hoshin target for an objective might be: Reduce defects in customer on-boarding process by 20%. A more specific target might be: 100% of quality issues detected during testing.

**Lean Transformation Framework**—A reflection framework of five questions that applies the principles of lean thinking to define an organization’s approach to transformation. The framework is fractal and can be used to consider improvements starting at the corporate level all the way down to studying individual jobs.

**Obeya**—The literal translation is “big room.” A place to visually manage progress of a set of activities where results are shared, input given, and problem-solving visualized. Obeya can have application in many areas of the business. In this workbook we will focus on its use in reviewing progress on the hoshin.

**PDCA** (plan, do, check, act)—In hoshin kanri, PDCA is specifically applied as the annual cycle of hoshin development, hoshin execution, hoshin reflection, and hoshin adjustment (complete and standardize, continue hoshin, or de-prioritize hoshin).

**Strategy**—Specific decisions and determining actions that position an organization to achieve an overarching goal and competitive advantage.

**True North**—The statement of an organization’s strategic and philosophical vision or purpose. It is a bond that may include hard business goals such as revenue and profits, as well as broad visionary objectives that appeal to the heart.

**Vision**—The long-term objectives/goals of an organization and the means to get there.