Accomplishing Strategic Objectives Using Hoshin Kanri (HK)

Presented by

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Presentation Topics

• What is Japanese-Style Hoshin Kanri?
• Some Hoshin Kanri Building Blocks
• Some Hoshin Kanri Processes
• Developing Policies
• Deploying Policies
• Reviewing Policies
• Some Global Best Practices
• Tips for Getting Started
• Concluding Thoughts
Japanese TQM (Deming Prize)

- Hoshin Kanri (Top-Down)
- Cross-Functional Management (Horizontal)
- Daily Management (Bottom-Up)
- Small Group Activities (Work Areas)

Note: See Ando and Kumar (2013).
Hoshin Kanri

• Hoshin Kanri (HK) is a Strategic Improvement System
• Core Component of TQM (HK, CFM, DM, SGA)
• Originated in the 1960s (Bridgestone Company)
• Evolved from Statistical Quality Control (SQC)
• Hoshin = Policy, Principle, Direction
• Kanri = Supervision, Administration, Management
• Policy = Objective (Target) + Strategies (Means)
• Control Cycle: PDCA Cycle

Emergent Definition

“Hoshin Kanri is a systematic annual process led by senior executives—and preceded by Strategic Management activities—for developing, deploying, and accomplishing policies (objectives + strategies) through coordinated organization-wide activities and the rigorous application of the PDCA cycle.”

Paper: “The Application of Policy Deployment in Indian Companies” by Liedtke
Go to . . . [www.strategicimprovementsystems.com](http://www.strategicimprovementsystems.com) and click on “RESEARCH”
# HK Maturity Model

<table>
<thead>
<tr>
<th>Hoshin Kanri Characteristics</th>
<th>Not Sufficient</th>
<th>Fair</th>
<th>Well Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual CEO Diagnosis</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Led by Senior Executives</td>
<td></td>
<td>X</td>
<td></td>
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<tr>
<td>Formal Annual Process</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Long-Term Horizon</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Linked to Strategic Management Activities</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Focused on Improving QCDSM</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Deployment of Objectives &amp; Strategies</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Rigorous Application of the PDCA Cycle</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Widespread Involvement</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Assignment of Responsibilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extensive Cross-Functional Activities</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Formal Cross-Functional Teams</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intentional Alignment of Activities</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Use of a Catchball Process</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Use of Statistical Methods</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Leads to Widespread Organizational Actions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Linked to Daily Management Activities</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Formal Periodic Reviews</td>
<td></td>
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</tr>
</tbody>
</table>
Some HK Building Blocks
Strategic Planning & HK

Strategic Planning

Finalize Management Philosophy

Develop Vision Statement

Develop Corporate Strategies

Develop BU Strategies

Conduct CEO’s Annual Diagnosis

Develop CEO’s Annual Policy

Deploy CEO’s Annual Policy

Implement CEO’s Annual Policy

Review Progress

Plan Activities for Next Year
Alignment to Vision by HK

1. Develop Vision
2. Develop Roadmap & Milestones
3. Finalize Company Strategic Framework
4. Conduct Environmental Analysis
5. Conduct SWOT Analysis
6. Develop Long Term Plan
7. Year 1
8. Year 2
9. Year 3
10. Review Progress & Communicate Results

- Identify Strategic Priorities
- Create Strategic Themes
- Develop CEO Policy
- Deploy CEO Policy
Bird’s-Eye View

Strategic Management
(7 Strategic Tools & 7 New QC Tools)

Mission
Vision
Values
Bus. Models
Industries
Countries
Markets
Customers
Structure(s)
Systems
Partners
M&A
Products
Services
Priorities

Long-Term Plan
Mid-Term Plan

Policy 1
Objective
Strategy 1
Strategy 2
Strategy 3

Policy 2
Objective
Strategy 1
Strategy 2
Strategy 3

Hoshin Kanri
(7 New QC Tools & 7 Basic QC Tools)

Action Plans, Execution,
Results, & Reviews

Daily Management & Small Group Activities (7 Basic QC Tools)

CFM

L Team

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Deliberate Planning

Develop Vision
Develop L-T Plan
Develop Annual Plan
Develop Action Plans

Performance Frameworks
TQM: Quality, Cost, Delivery, Safety, Morale
BSC: Financial, Customer, Business Processes, & Learning & Growth

Policies
Results

Peter F. Drucker (1954): “Objectives are needed in every area where performance and results directly and vitally affect the survival and prosperity of the business.”
Sample Strategic Objectives

Quality
Increase External DPMO from 13,420 to 4,000 by May 1, 2014.

Customer Satisfaction
Increase our Net Promoter Score from 32.6% to 70.0% by July 1, 2014.

Growth
Increase market share from 7.2% to 15.0% by December 31, 2014.

Safety
Decrease patient falls from 6.3 per 1,000 patient days to 2.0 by June 30, 2014.

Note: These represent what we are trying to accomplish, but not how they will be accomplished.
### Evaluating Objectives

<table>
<thead>
<tr>
<th>Necessity of the Objective</th>
<th>Achievability of the Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Necessity</td>
<td>Low Achievability</td>
</tr>
<tr>
<td></td>
<td>High, Low Hoshin Kanri</td>
</tr>
<tr>
<td>Low Necessity</td>
<td>Low, Low</td>
</tr>
<tr>
<td></td>
<td>Low, High</td>
</tr>
<tr>
<td></td>
<td>High, High</td>
</tr>
</tbody>
</table>

# Anatomy of a Policy

Policy = Objective + Strategies

or Target + Means

or End + Means

or Effect + Causes

or What + How

or What (& Why) + How
Developing a Policy

**Objective:** Increase FPY from 82.4% to 95.0% by 12/31/14.

**Leader:** Manufacturing Department

![First Pass Yield Chart]

- **Analysis**
  - Improve Vendor Quality
  - Decrease NPD ECNs
  - Decrease Soldering Defects
Anatomy of a Policy

<table>
<thead>
<tr>
<th>Policy = Objective + Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What</strong></td>
</tr>
<tr>
<td>Increase First Pass Yield from 82.4% to 95.0% by 12/31/14</td>
</tr>
<tr>
<td><strong>+</strong></td>
</tr>
<tr>
<td><strong>Decrease Vendor DPMO from 4,349 to 1,000 by 11/30/14.</strong></td>
</tr>
<tr>
<td><strong>Decrease the # of ECNs Per New Product from 9.3 to 1 by 11/30/14.</strong></td>
</tr>
<tr>
<td><strong>Decrease Soldering DPMO from 7,452 to 500 by 11/30/14.</strong></td>
</tr>
</tbody>
</table>
# Basic Policy Template

<table>
<thead>
<tr>
<th>Objective</th>
<th>Strategy 1 Leader</th>
<th>Strategy 1 Actions</th>
<th>Review Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leader</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Case</td>
<td>Strategy 2 Leader</td>
<td>Strategy 2 Actions</td>
<td>Review Results</td>
</tr>
<tr>
<td>Data</td>
<td>Strategy 3 Leader</td>
<td>Strategy 3 Actions</td>
<td>Review Results</td>
</tr>
</tbody>
</table>

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“What What” Deployment

Leadership Team

Department

Section

Individual

Objective What?
Reduce Defects!
Objective What?
Reduce Defects!
Objective What?
Reduce Defects!
Objective What?
Reduce Defects!
Hoshin Kanri: “What How”

Leadership Team

Objective
What?

Strategies
How?

Department

Objective
What?

Strategies
How?

Section

Objective
What?

Strategies
How?

Individual

Objective
What?

Strategies
How?
Hoshin Kanri: “What How”

Leadership Team
- Reduce Defects
- Improve Vendor Quality
- Decrease NPD ECNs
- Decrease Soldering Defects

Purchasing Dept.
- Improve Vendor Quality

Section
- Objective What?
- Strategies How?

Individual
- Objective What?
- Strategies How?
Evaluating Strategies

<table>
<thead>
<tr>
<th>Effectiveness of the Strategy</th>
<th>Efficiency of the Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Effectiveness</td>
<td>Low Efficiency</td>
</tr>
<tr>
<td>Low Effectiveness</td>
<td>High Efficiency</td>
</tr>
</tbody>
</table>

- High, Low
- High, High
- Low, Low
- Low, High

Sample Org Chart

Leadership Team

- Sales
- Eng.
- Supply Chain
- Mfg.
- HR
- IT
- Quality
- Finance

- Section A
- Section B
- Section C
Down Once Deployment

Leadership Team

Develop Policies

Deploy Policies

Rest of the Organization

PDCA

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Up-Down Once Deployment

Leadership Team

Provide Input

Develop Policies

Generate Ideas

Rest of the Organization

Deploy Policies

PDCA

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Up-Down Twice Deployment

Leadership Team

Develop Draft Policies

Provide Input

Deploy Drafts

Provide Feedback

Develop Final Policies

Deploy Final Policies

Rest of the Organization

Generate Ideas

Review Drafts

PDCA

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Deploying a Policy

Company View

Company Objective (What?)
- Increase First Pass Yield from 82.4% to 95.0% by 12/31/14 (Manufacturing Leads)
- Decrease Vendor DPMO from 4,349 to 1,000 by 11/30/14.
- Decrease the # of ECNs Per New Product from 9.3 to 1 by 11/30/14.
- Decrease Soldering DPMO from 7,452 to 500 by 11/30/14.

Company Strategies (How?)
- Finance
- HR
- Sales
- Quality
- IT
- Engineering
- Supply Chain
- Manufacturing

Mfg. Department View

Mfg. Objectives (What?)
- Decrease Soldering DPMO from 7,452 to 500 by 11/30/14.
- Mfg. Objective 2
- Mfg. Objective 3

Who Leads?
- J. Compton
- N. Rao
- R. Jain

Mfg. Strategies (How?)
- Action Plans

Define → Measure

Measure → Analyze (Root Causes) → Improve

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## Objective
Increase First Pass Yield from 82.4% to 95.0% by 12/31/14.

## Leader
R. Rodman, Manufacturing

## Business Case
Customers are complaining about late shipments and two legacy customers have refused to re-order until the problem is resolved. The data shows that there are major in-process quality problems at three process steps contributing to the low First Pass Yield.

## Strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Action</th>
<th>Objective</th>
<th>Leader</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy 1</strong></td>
<td>Decrease Vendor DPMO from 4,349 to 1,000 by 11/30/14.</td>
<td>S1: Action 1</td>
<td>H. Cruz, Supply Chain</td>
<td>Engineering, IT, Quality</td>
</tr>
<tr>
<td><strong>Leader</strong></td>
<td>S1: Action 2</td>
<td>C. Renz, Engineering</td>
<td>Manufacturing, IT, Quality</td>
<td></td>
</tr>
<tr>
<td><strong>Support</strong></td>
<td>S1: Action 3</td>
<td>Sales, HR, Finance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Strategy 2 | Decrease the # of ECNs Per New Product from 9.3 to 1 by 11/30/14. | S2: Action 1 | C. Renz, Engineering | Manufacturing, IT, Quality |
| **Leader** | S2: Action 2 | J. Borth, Manufacturing | Sales, HR, Finance |
| **Support** | S2: Action 3 | |

| Strategy 3 | Decrease Soldering DPMO from 7,452 to 500 by 11/30/14. | S3: Action 1 | J. Borth, Manufacturing | Sales, HR, Finance |
| **Leader** | S3: Action 2 | |
| **Support** | S3: Action 3 | |
## Objective/Strategy Matrix

<table>
<thead>
<tr>
<th>Objective</th>
<th>Strategy 1</th>
<th>Strategy 2</th>
<th>Strategy 3</th>
<th>Strategy 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective 1</td>
<td>△</td>
<td></td>
<td>circle</td>
<td></td>
</tr>
<tr>
<td>Objective 2</td>
<td>circle</td>
<td></td>
<td>triangle</td>
<td>△</td>
</tr>
<tr>
<td>Objective 3</td>
<td>circle</td>
<td>circle</td>
<td>circle</td>
<td>circle</td>
</tr>
</tbody>
</table>

Double Circle = Strong Relationship  
Single Circle = Moderate Relationship  
Triangle = Weak Relationship  
Blank = No Relationship
X Matrix – At the End

<table>
<thead>
<tr>
<th>Item</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Major Measures</td>
<td>To</td>
<td></td>
</tr>
<tr>
<td>BU / Department Objectives (BP)</td>
<td>From</td>
<td>To</td>
</tr>
</tbody>
</table>

**Remarks:**
Four Review Scenarios

Note 1: Based on the “Four Students Model” by Dr. Noriaki Kano.
Note 2: See Ando and Kumar (2013).
“Stream Jumping” Theory (FHK)

My friend had a plan to jump across a stream (means) in order to arrive safely on the other side (end).

His plan was based on certain assumptions.

What if the other side changed dramatically while he was jumping the stream?

He would have to modify his plan in mid-air in order to be successful. (Flexible Hoshin Kanri)

His plan was based on certain assumptions.
Some Global Best Practices

• Integration with Competitive Strategy Activities
• Use of the Balanced Scorecard
• Target Levels: Budget, Intermediate, Aspirational
• Horizontal Catchball
• X Matrix to Tree Diagram Structure
• On-Line Policies
• Application of the QC Story
• Reach Out Communication Sessions
• Integration with Performance Reviews
• Integration with Lean Six Sigma
Tips for Getting Started

- Conduct training on the building blocks (if necessary)
- Design and communicate your Hoshin Kanri process
- Re-visit your mission, vision, values, etc.
- Identify your organizational performance metrics
- Conduct the Hoshin Kanri assessment
- Conduct a CEO Diagnosis
- Identify your deployment organization structure (org chart, value chain, etc.)
- Develop at least one policy (use Up-Down Once model at a minimum)
- Conduct catchball
- Assign leaders to objectives and strategies
- Develop action plans for each strategy (based on analysis)
- Implement the action plans
- Conduct monthly reviews
- Modify the objectives, strategies, and/or action plans if necessary
- Conduct a hansei activity and plan for the next year
Concluding Thoughts

- *Hoshin Kanri* is one component of a larger TQM system
- There is *more than one way to do* *Hoshin Kanri*
- Create your own unique system—possibly with guidance
- *Hoshin Kanri* should be linked to SM, CFM, DM, & SGA
- There will be difficulties when implementing *Hoshin Kanri*
- Don’t blindly copy other organizations
- Start with a simple system and then use PDCA
- *Hoshin Kanri* systems should be made *flexible* (FHK)
Selected References


Japanese Union of Scientists & Engineers (JUSE). www.juse.or.jp/e.


Thank You!

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Helping Cause Desired Results