



Hoshin Kanri

Strategy Implementation – Case Study

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ABSTRACT

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In a rapidly changing world, winning businesses need to stay focused and continuously evolve to stay in business. Strategic thinking, strategy and deployment of strategy play a key role in focusing the efforts of the company to stay competitive.

Company X introduced a new methodology for its strategic planning and implementation in 2017. The new framework was based on the model of Hoshin Kanri, known as a framework originating from Japanese companies executing lean leadership. The purpose of this thesis is to provide an insight of the success in implementation to managers and supervisors and to point weak areas in implementation by the company.

The work includes a presentation of the Hoshin Kanri concept based on literature about the subject, a questionnaire to gain an insight of the implementation level and conclusions of where the weak point in the company implementation lies.

The company has been successful in making and implementing their strategic framework and the results in the questionnaire were mostly agreeing throughout the company hierarchy and departments. The thesis also includes recommendations for further improving the implementation level of the framework and thereby a stronger input to the strategic goals of the company.

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GLOSSARY or ABBREVIATIONS AND TERMS (choose one or other)

PDCA	Demming cycle, an acronym for the phrases: Plan, Do, Check, Act. A standard solution for problem solving.
A3	A paper format defined by ISO 216. An A3 format is used by lean companies to support Problem solving with the PDCA cycle.

1 INTRODUCTION

1.1 Thesis topic

This thesis examines the success of a strategy deployment through a Hoshin Kanri framework in Company X. The purpose of the study is to clarify the status of strategy implementation within the company and, to understand which phases of the Hoshin Kanri framework are implemented successfully and which require more effort, at a large mechanical engineering company in southern Finland. To support the purpose of the study, the study also focuses on the employee perception of the practices and framework phases.

Strategy deployment is used for a company to arrange its activities towards a common target and fundamental to the success of any organization (Slack 2019)

1.2 Thesis Objective, Purpose and research questions

To stay competitive in the mechanical engineering industry a company needs to compete with price and quality. To support meeting the increased demands, company X introduced a vision and mission through a Hoshin Kanri concept. The strategy was to emphasize quality, operating cost of the product, volume growth and productivity of the plant. Introducing a strategy to a company increases the competitive advantage through dedication towards the company goals. (Liker & Convis 2011)

Company X has been practicing the implementation of Hoshin Kanri for the past five years, with the first two to three years only in the production environment and the following years throughout the company. The company has also introduced a new incentive compensation system for white collar workers that relies deeply on department goals. The objective of this thesis is to examine company X success in implementing of the Hoshin Kanri framework and deploying the understanding of the company strategy to the manager and supervisor levels of the company. The purpose is to improve the use of the Hoshin Kanri framework

in the company and use the framework effectively to achieve the company goals set by the strategy.

A research problem is the subject of the research that is being solved through scientific methods. Research is looking for evidence and theory, the researcher is looking for facts and a way to explain them. (Gillham 2010)

The thesis seeks an answer to the question of *how company X has succeeded in deploying the company strategy to managers and supervisors of the company.*

To provide a proper answer to the success of the Hoshin Kanri implementation, further research was done regarding the employee's interest in the company strategy, their knowledge of the company strategy and their perception of their own impact in the performance of the company as well as the perception of the different phases of the Hoshin Kanri. The supporting questions of this study are listed in *TABLE 1: Supporting Questions.*

TABLE 1: Supporting Questions

<i>What is the managers overall perception of the company strategy and its development?</i>
<i>Has the company strategy communication been successful?</i>
<i>How do managers perceive the Hoshin Kanri method?</i>
<i>Do employees see a link between the strategy and their department goals?</i>
<i>Do employees see the link between the strategy and their personal goals?</i>

1.3 Study schedule

The study was scheduled to be conducted during the second quarter of the year 2020. The quantitative survey was sent out by e-mail in mid-May and the survey was open until the end of May. The survey results were analyzed through June and the results were presented to the board of directors in July.

2 CONCEPTS AND THEORIES

A research problem is the subject of the research that is being solved through scientific methods. Research is looking for evidence and theory, the researcher is looking for facts and a way to explain them. (Gillham 2010)

2.1 Hoshin Kanri Strategy Framework

Hoshin Kanri is Japanese and the words can be translated (Hutchins 2008)

Ho – Direction

Shin – Focus

Kan – Alignment

Ri – Reason

Hoshin Kanri-style management as a process seeks to set all departments and employees working towards the same direction. (Hutchins 2008). Hoshin Kanri is a tool to achieve coordination between the individual's actions and the goals of the company. (Fredendall 2016)

The company leadership sets a few 1-3 strategic breakthrough goals that are focused on the core of the company strategy. The breakthrough goals are set to 3-5 years from now. The breakthrough goals are then set as yearly goals from the top down.

Most large companies already have a vision and a mission. Hoshin Kanri provides tools for the company leadership to create a midterm strategy, annual objectives, and tactical improvement projects. (Jackson 2006).

In the creation of strategy phase, the management team will scan the market situation and the company's position in the market. The Management group running the Hoshin Kanri will review company mission (company's reason to be) and vision (what the company is expected to be) as well as the long-term strategy (how you full fill your mission and reach your vision). Mission, vision and long-

term strategy provide the baseline for the management team in Hoshin Kanri. After reviewing the company long term strategy, the management group will review the market environment to gain deep understanding of the company's position in the market. (Jackson 2006).

The management team then determines breakthrough objectives in a 3-5-year midterm planning horizon. The breakthrough goals are determined to eliminate gaps between the vision and the current capabilities. (Jackson 2006)

Prioritization is key in determining breakthrough objectives. Once the potential breakthrough objectives have been identified, there are prioritization tools, such as a X.Y -matrix, where the different objectives are scored to give an estimate of preferability. In the end 3-5 breakthrough objectives are selected and their results are forecasted by a value stream P&L, critical capability or other intangible assets. (Jackson 2006)

Once the midterm strategy is complete, an annual Hoshin is designed by the management team. The annual Hoshin design follows a similar process as the midterm strategy development:

1. Identification of opportunities for the next year
2. Prioritization, analyzation and selection of high impact opportunities.
3. Select targets for results
4. Convert targets for process improvements in the next year
5. Study interdependence
6. Assign teams for each tactic and provide accountability.

The last step involves members from the Management team, one team member is assigned as a team leader for the development tactic and typically one or more management team members are assigned as team members for the tactic, in a more supportive role. The team leader will then make a charter proposal for the team and assign team members from outside the management team. (Jackson 2006)

2.2 Hoshin Kanri implementation through A3's and PDCA

2.2.1 The A3's

To support the work within Hoshin Kanri a practice of using different forms of A3's is formed. A3 is a concept used in lean companies named after the paper format defined by ISO 216 standard. The A3's most common use is to describe the thought process within problem solving. (Rother 2010).

In Hoshin Kanri there are a number of different A3's in use. The A3-X is used to draw an X-matrix where the company strategy is converted into results, tactics and processes, as well as in accountabilities within the organization. The A3-T is a team charter where a problem is solved by the team. A number of different A3's could be used within a Hoshin Kanri strategy creation period and implementation period, but the A3-X and A3-T are essential during the deployment part of the Hoshin Kanri. In an interview by Randy K. Kesterson, Bruce Sheridan explains: "The X-matrix is specifically targeted for Organizational Alignment and the A3 for Execution". A3 in this case refers to the A3-T and the X-matrix to the A3-X. (Kesterson 2015)

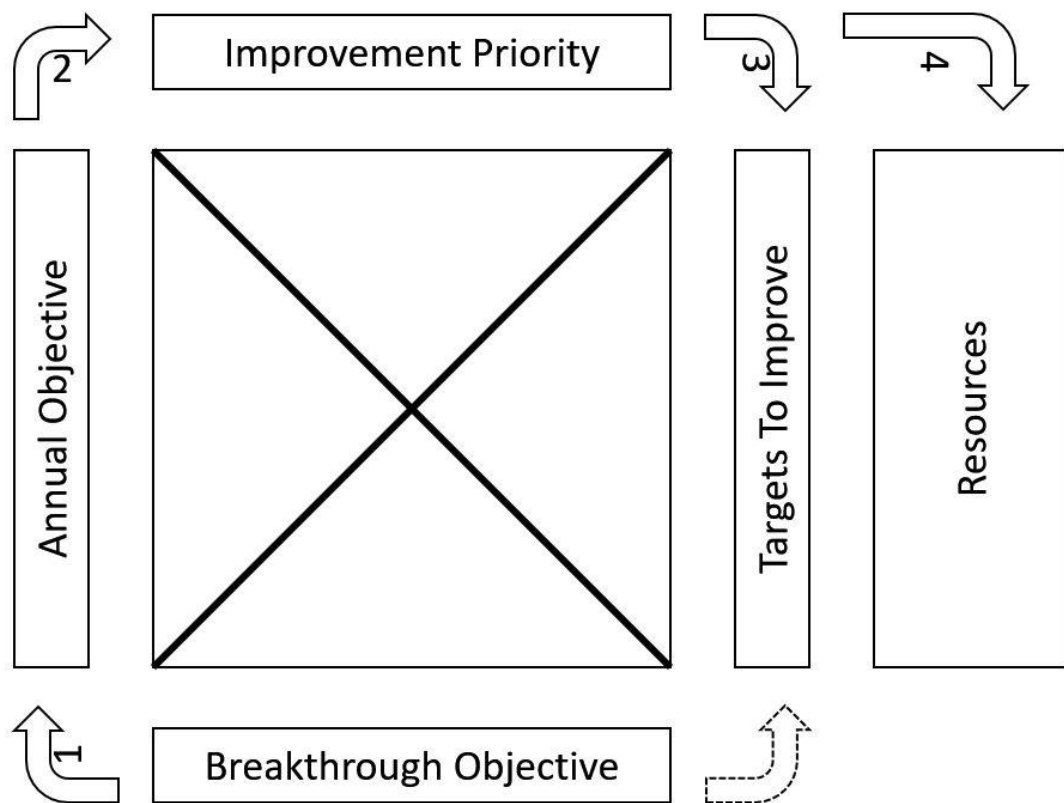


Figure 1: The X-chart

2.2.2 PLAN - Deployment to yearly goals through catch ball

Hoshin Kanri is separated from traditional *management by objectives*, by that while the requirement is deployed from the top down, the means and methods to reach goals are pulled from the bottom up.

The method used in Hoshin Kanri is called *catchball*. In catchball the team leaders communicate and elaborate the annual Hoshin to all the teams in the organization. Catchball occurs both vertically and horizontally. Top-down, bottom-up and between the different functions and departments. (Jackson 2006)

In Catchball each team member of the management team will enact as a team leader the tactical teams and tactical team members will enact as team leaders for the operational teams. Catchball on each level will follow a certain routine described by Thomas L. Jackson as follows:

1. Prepare for the meeting
2. Introduce the plan
3. Discuss the plan
4. Charter teams with A3-Ts
5. Study the plans
6. Complete and confirm the plan

The same steps are repeated on strategic level, tactical level and each of the operational levels of the company as described in Figure 2: Catch Ball process through the company. (Jackson 2006) steps A-C. Feedback and means to achieve the goals and strategy is collected from all levels of the company through steps D-E. By using catchball the leadership of the company gains an in-depth commitment of the company to meet the goals as well as a deep understanding in what is possible to reach during the next 6-18 months. (Jackson 2006)

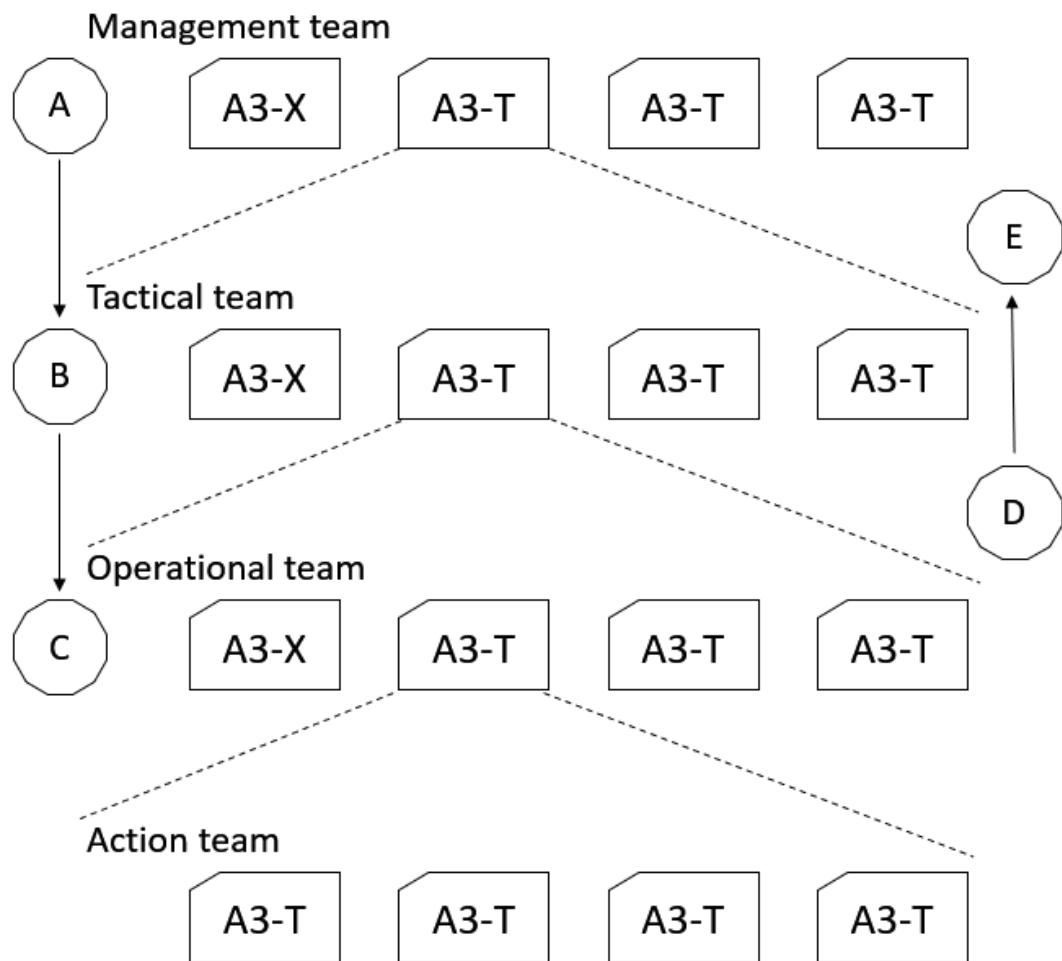


Figure 2: Catch Ball process through the company. (Jackson 2006)

After the rounds of catch ball, Project plans are finalized and all teams in the company will be given tasks based the catch ball round. The activities and projects are cascaded down through the company in one aligned strategy where each action team resource is reserved for development towards the common goals of the next 12 months. Project are scheduled with implementation roadmaps, budgeted and staffing is planned. (Jackson 2006)

It is typical that the catch ball process is introduced to the company in layers and it could take years for the company to mature to a level where catch ball is played through the organization. (Liker & Convis 2011)

2.2.3 DO - Deployment to action – the scientific method

Hoshin Kanri implementation relies significantly on deploying the yearly goals on independent teams of the company. This requires delegated empowerment and decision making to ensure that development is done on all levels of the company. As all lean activities, Hoshin Kanri is based on a scientific approach on problem solving. The company needs to select its approach for the scientific method. The scientific approach to problem solving is often described as the PDCA-cycle or the Deming cycle named after TQM developer Edward W. Deming. (Jackson 2006 & Hutchins 2008).

The action teams will conduct a series of experiments in various complexity developing the standards towards meeting the goals defined in the yearly plan. In the Hoshin Kanri framework the success of the whole strategy deployment relies on the organization capability to conduct experiments and learn from them. Developing standardized work through PDCA cycles is the primary driver for the company to reach its project targets and succeed in the long term. (Jackson 2006)

“Scientific thinking and organizational learning are the whole point to Hoshin Kanri, and to lean manufacturing and six sigma as well”

-THOMAS L. JACKSON

In companies implementing lean the success of the PDCA cycles, whether conducted with a classic simplified Deming cycle, or with a more complex DMAIC cycle, is what defines whether the company will succeed in the strategy deployment projects. The success of the PDCA cycles depend on the knowledge of the leaders of the company and their ability to delegate authority. (Jackson 2006)

2.2.4 CHECK - Visual management to ensure transparency of meeting the goals.

Once the actions have started for driving the company to the agreed targets, it becomes important to follow up with the teams throughout the company to ensure

that the goals are met. The target of Hoshin Kanri is that the company strategy becomes the basis of the daily operation of the company, meaning that also the follow up of the company strategy should be done daily. This visualized management should focus on process improvement on a daily, weekly, monthly and yearly basis. For the management to be effective and the Deming cycles to be pointed at correct problems, the visual management should focus on raising problems without casting blame. Visual management is applied through all levels of the company with an emphasis on showing the information to all employees within the company and in some cases, through the whole supply chain. (Jackson 2006)

TABLE 2: Hoshin Kanri review meetings (Jackson 2006)

Meeting		Time	Purpose	Responsibilities
Action Teams	Operators & Team Members	Real Time	Review performance and conditions to perform by andon or similar.	Feedback to supervisors and action team members Andon activation Problem solving
		Daily	Review performance by team project control boards	Feedback to action team members Exception reporting Problem Resolution
Operations teams	Supervisors and Project team leaders	Daily	Review performance by team project control boards	Feedback to action team leaders Exception reporting Problem Resolution
		Weekly	Review local performance Interpret priorities Evaluate activities Detect early warning signals	Feedback to action team leaders Exception reporting Problem Resolution
Tactical teams	Functional Department heads and cross functional team leaders	Monthly/Weekly	Review scorecards and evaluate program performance Support Resource decisions Explain performance outliers	Feedback to operations team leaders and members Exception reporting Problem Resolution
Management team	Functional Department heads and cross functional team leaders. Value stream- & Product managers	Quarterly	Review scorecards and evaluate program performance Support Resource decisions Identify cross-functional issues Select overall goals and targets	Feedback to tactical teams Exception reporting Commitment process
		Annually	Review vision, strategies, tactics, process measures and results	Define and deploy annual vision

2.2.5 ACT – Improvement of the standard and development of people

Standardized work is the expectation of front-line value-added work in all lean companies also value adding processes are standardized through manufacturing typically with value stream maps. Hoshin Kanri takes standardized work to the level of every leader throughout the company in both vertical and horizontal

processes. The key purpose of having standards defined through value stream maps is to detect deviations from the standard whether the deviation is a product defect, human error or abnormal condition. The correction of these defects, errors and abnormal conditions is the sole purpose of the learning organization. Not meeting the annual Hoshin Kanri goals is also considered a defect, but annual goals should not be mixed with existing standards. Future state or interim value stream maps should not be considered standard without the actual execution of the improvements. In the Deming cycle the check phase is impossible without an existing standard. Visual management and daily meetings support the organization in keeping to the standards. (Jackson 2006)

Kaizen is not classified as a part of Hoshin Kanri, but it is the continuous incremental improvement of the standardized work. Kaizen is not effectively implementable unless the company is relying heavily on the existence of standards but will be an effort wasted in trying to fight fires. Instead the Kaizen should be focused significantly in removing deviations and improving the existing standard. There is one key element in Kaizen that it can provide to the Hoshin Kanri system, which is training the employees of the company to continuously improving through the scientific method, because in the end, it is the employees of the company that must sustain the new methodologies developed and installed in the Hoshin Kanri process. (Jackson 2006)

Developing people is an essential part of success in the Hoshin Kanri and lean system. The leadership development of their successors is the main responsibility of any manager within a lean organization. Succession planning is essential to ensure that those promoted are well established in lean processes and lean thinking. Coaching is a methodology used in lean enterprises to support learning of the employee and the manager. Coaching follows the methodology of a Deming cycle, with phases plan, do check and act. Hoshin Kanri provides a key tool to the development of the people in a company by creating a system with overlapping team, minimizing conflict between different departments and focusing on the common goal of a company strategy. Team leaders on all levels of the Hoshin Kanri system coach and develop their team members to meet their

strategic goals. The chances for coaching of the team members in the Hoshin Kanri framework are in the daily and weekly review meetings, in implementation of new methodology and execution of standardized daily work, these chances were called as teachable moments by GE's Jack Welch. The standard work of leaders in a lean company requires coaching of people to meet the standard. (Jackson 2006)

3 THE SURVEY

The survey was designed and planned based on the research question of, how company A has succeeded in deploying the company strategy to managers and supervisors of the company.

3.1 Data and methods

There are two research methods generally observed in literature. The methods are quantitative method and qualitative method.

Quantitative research is used when the data collected is intended for statistical analysis. (Adams, J., Khan, H., & Raeside, R. 2014)

Qualitative methods are used when the data collection and analysis are not quantitative. This kind of research can be used to describe reality experienced by the respondents. (Adams, J., Khan, H., & Raeside, R. 2014)

3.1.1 Quantitative study

The method used in this research is a quantitative survey, where the Managers and supervisors of the company are responding to their perception of the Hoshin Kanri. The reason to use a quantitative approach is to cover a large part of the manager level employees. The company has 73 directors, managers and supervisors.

Quantitative research processes measured results through statistical methods. Qualitative research is based on measuring that is aimed on producing justified, reliable and generalizing information. The challenge with quantitative research is that the studied phenomenon needs to be understood deeply so that the phenomenon can be measured accurately. (Kananen, 2008)

The research process in a quantitative research is very straight forward. The study is passed through step by step. The research is based on the research

problem which is solved by quantifiable knowledge. Once the needed knowledge is defined it needs to be acquired. Once the acquirement method is selected it defines the usable questions and finally the questions are determined.

The questions of the quantitative study focused on the perception of the Hoshin Kanri, Interest in the company strategy, department goals and whether the employees feel as they can make an impact in the company meeting its strategic goals by personal goals. The survey was conducted with Likert scale questions with 5 options. The survey included questions regarding the employees' position and department for depth in understanding the differences in the different functions of the company. Questions of the questionnaire are listed in Appendix 1.

3.2 The structure

The survey was structured so that each section of the survey was headlined by a supporting question. The questions were selected in co-operation with the managing director and the quality director, who is responsible for the strategy process, of the company.

3.2.1 The Strategy

The purpose of the section was to gain understanding of the general perception of how the employees experience the company strategy and if they consider it important and interesting. Also a question regarding resources was put in this section.

3.2.2 Communication of the strategy

The section regarding the communication was used to identify if the employees have received enough information of the strategy and to gain knowledge of the best practices in providing information of the strategy to the supervisors and managers. This was considered important as the company leadership has previously received feedback regarding communication.

3.2.3 Hoshin Kanri as a Method

Hoshin Kanri as a method section was aimed at understanding the employees' attitude towards the method of Hoshin Kanri and whether the employees understood what is going on in the Hoshin Kanri Process.

These questions were used to understand whether the new methodology was well perceived by the managers and supervisors of the company.

3.2.4 Department Performance Goals

The section for department goal seeks to understand how the managers and supervisors can link the department and the new incentive goals to the company strategy.

3.2.5 Personal Performance Goals

The section for personal performance goals seeks to understand how the employees can link their personal goals to the company strategy.

3.2.6 Employee Profile

Last section of the survey was to identify the employee profile of the respondent. The Survey was fully anonymous, but the survey included questions that help defining the position of the employee by hierarchy or by department.

3.3 Survey tool

The tool for the survey was selected based on an existing license at the company for Webropol.com. The survey was created with the Webropol survey tool and delivered as anonymous to all 73 directors, managers and supervisors. The recipients who had not responded to the survey were reminded twice while the survey was still open.

3.4 Participants

The participants for the survey were selected from the e-mail distribution lists of the company. Lists for supervisors for both hourly employees and salaried personnel were used and members of the lists who were not managers or supervisors, such as HR employees, were removed from the survey participants.

3.5 Analysis

The analysis of the survey results were done by descriptive analysis of the quantitative data. Descriptive analyzes can be used to visualize quantitative results and to bring out patterns that are not visible through raw data alone. (O'Dwyer & Bernauer 2014)

The results were analyzed based on averages compared between the categories and within the category compared to the average of the category. All statements were laid out in a way where a higher score, would correlate to a more positive answer compared to the success of the strategy work.

Other methods of analysis was to compare the results divided by hierarchy and department. Division by hierarchy and department was done to find if a particular groups of people would need more support in terms of the subject.

4 THE RESULTS

Overall the results of the survey display a positive attitude towards the company strategy. Employees are interested in the strategy and they understand the connection between their work and the company strategy. In this chapter, the results will be reviewed section by section.

4.1 The strategy

The employees answered the questions in the section regarding the strategy with an average of 3.94 on a scale from 1-5. Noteworthy is that the highest average score for a single question in the whole survey was for the question: *“I’m interested in the company strategy and I want to understand the direction that the company is headed”*, which scored 4.7 points by all respondents.

Another positive score was for the question *“I understand the connection between my work and the company strategy”* which scored 4.2.

The lowest score in this category was for the question: *“I’m familiar with the content of Hoshin Kanri in meeting room Viisaudenhammas”*. Viisaudenhammas serves as a war room for the strategic initiatives based on the Hoshin Kanri Process. The content in the meeting room has not always been up to date. Another reason for such a low score is that the meeting room is typically only used by the production related employees.



Figure 3: Overall results of the Strategy section

4.1.1 Strategy –section by hierarchy

In the section of strategy, the management team replied with highest scores and a trend of the score dropping through the hierarchy is noticeable. All hierarchical groups follow the same trend as the average for all respondents. The results of the strategy section by hierarchical groups can be seen in *Figure 4: Strategy –section broken down by hierarchy.*



Figure 4: Strategy –section broken down by hierarchy.

4.1.2 Strategy –section by department

All departments follow the same pattern as the average of the whole company. The same effect as in the hierarchical breakdown. The management team gave the highest score on all questions. Also Sales, Marketing and Product Management gave above average responses, while Production and especially aftersales gave below average scores.

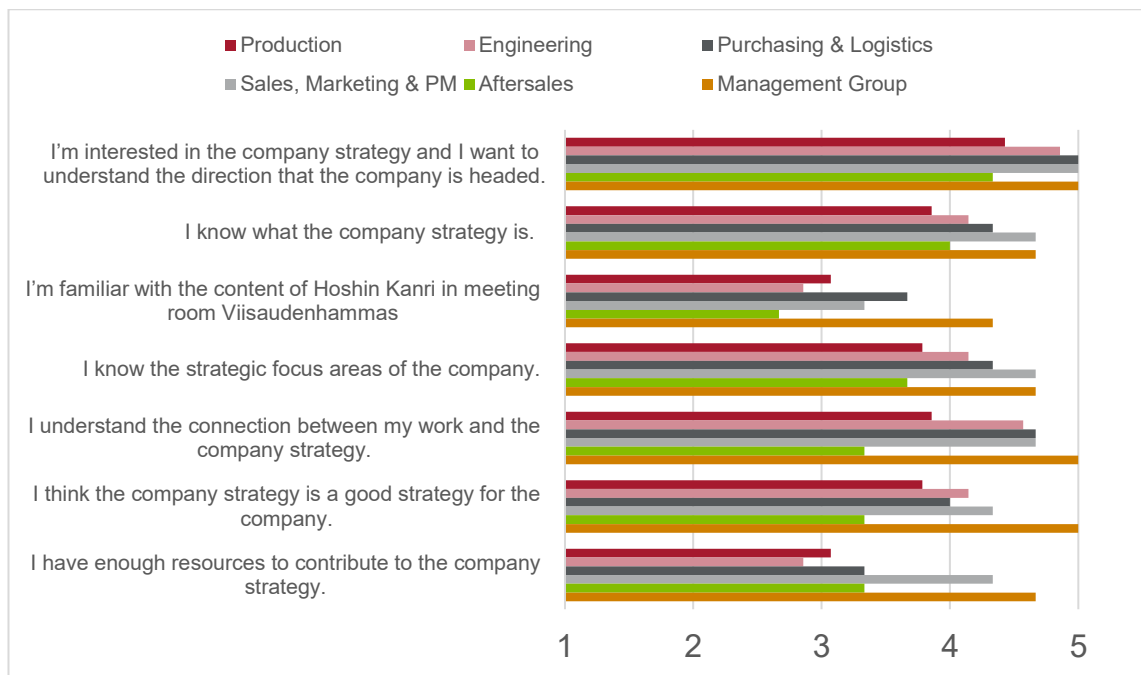


Figure 5: Strategy –section broken down by department

4.2 Communication of the strategy

The average score in the section of the communication of the strategy was 3.34, this was the lowest average for a section in the survey. All employees responded the highest score for receiving enough information regarding the company strategy. The best source for information was graded as Discussions with the respondents' supervisor.

Meanwhile the meeting room Viisaudenhammas serving as the war room of the Hoshin Kanri initiatives scored very low in being a source of information regarding company strategy.

Hoshin Kanri meetings also scored low as source of information regarding the strategy.

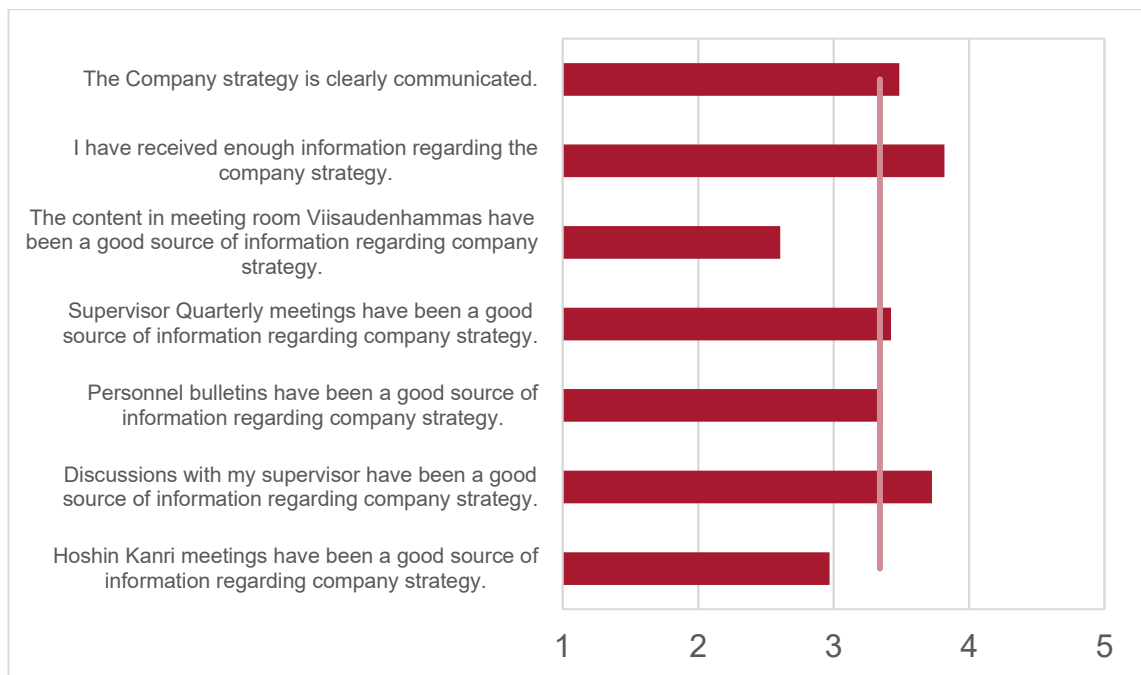


Figure 6: Overall results of the Communication of the strategy -section

4.2.1 Communication of the strategy –section by hierarchy

The results sorted broken down by hierarchy display a similar trend as all other sections, where the higher in the hierarchy employees score the questions higher. The management group scored the questions *I have received enough information regarding the company strategy*, *Discussions with my supervisor have been a good source of information regarding company strategy* and *Hoshin Kanri meetings have been a good source of information regarding company strategy*, higher than the rest of the respondents. On the other questions the Management Group responded very close to all other groups.

2nd level managers and supervisors do not identify any method of strategy communication as significantly better than others. While the 1st level managers do value the *Discussions with my supervisor have been a good source of information regarding company strategy* slightly higher than other communication methods.

The second level managers disagree more than agree about receiving enough information regarding the strategy with a score of 2.87.



Figure 7: Communication of strategy section broken down by hierarchy.

4.2.2 Communication of the Strategy –section by department

Looking at the results broken down by department, there are only a few outliers in the results. Unlike all other departments, the aftersales have experienced the meeting room Viisaudenhammas as a good source of information regarding the company strategy. The response from aftersales differs from the general trend by grading the meeting room Viisaudenhammas as a better source of information than supervisor quarterly meetings or personnel bulletins.

Another outlier is the Purchasing and Logistics department who experienced the Supervisor quarterly meetings and discussions with one's supervisor, above average, as good sources of information regarding the strategy.

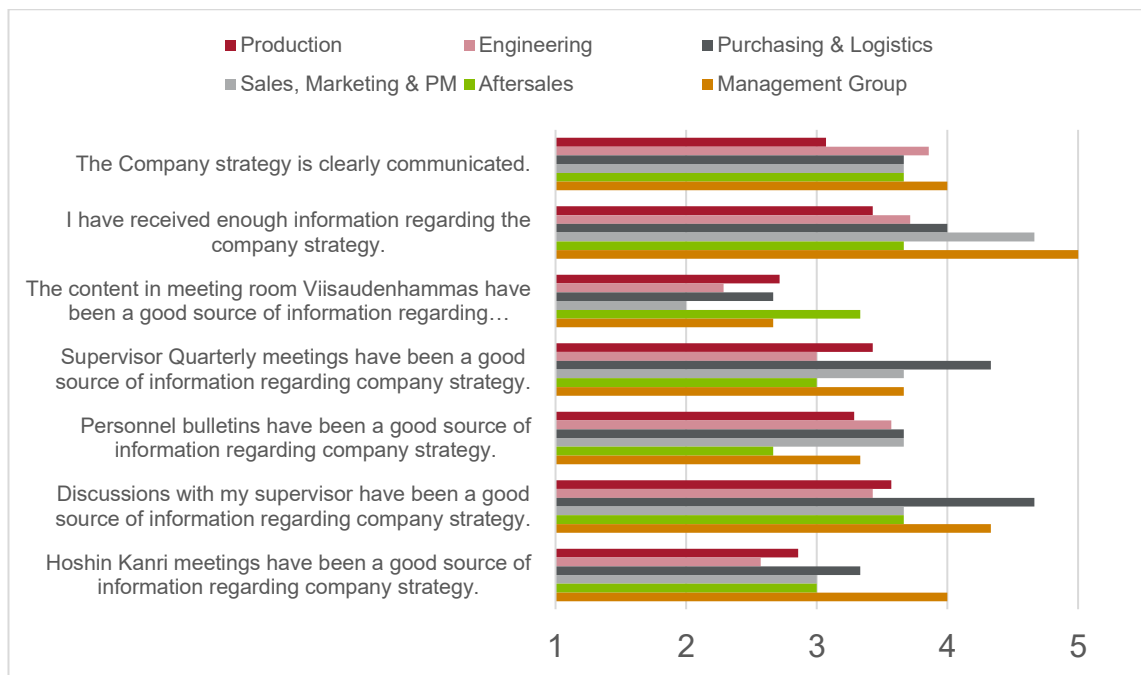


Figure 8: Communication of strategy section broken down by department.

4.3 Hoshin Kanri as a Method

The average of the responses in the questions of the section *Hoshin Kanri as a Method*, were 3.42 when the average for the whole survey was 3.63. None of the questions averaged above the average of the full survey.

A clearly lower score was responded to the question: "I have participated in the Hoshin Kanri Process of setting the company goals for this year" with a score of 2.9.

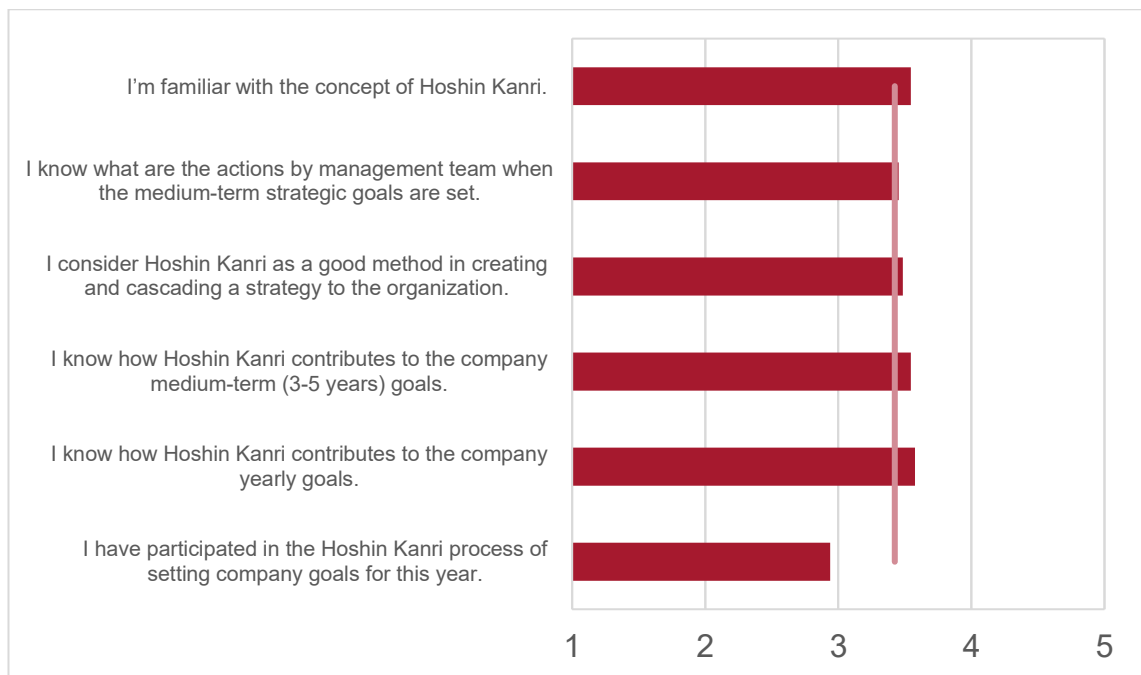


Figure 9: Overall results of the Hoshin Kanri as a Method -section

4.3.1 Hoshin Kanri as a Method –section by hierarchy

The hierarchical analysis follows the same pattern as with earlier sections, the score drops the further down the respondents are in hierarchy. The supervisor level makes an exception.

The Management Group response to the question “I consider Hoshin Kanri as a good method in creating and cascading a strategy to the organization” is below the average responses of the management group with a score of 3.9.

The low score of the question “I have participated in the Hoshin Kanri process of setting company goals for this year” is scored very low by both levels of managers.

It is also notable that the 2nd level managers rated multiple statements below 3.

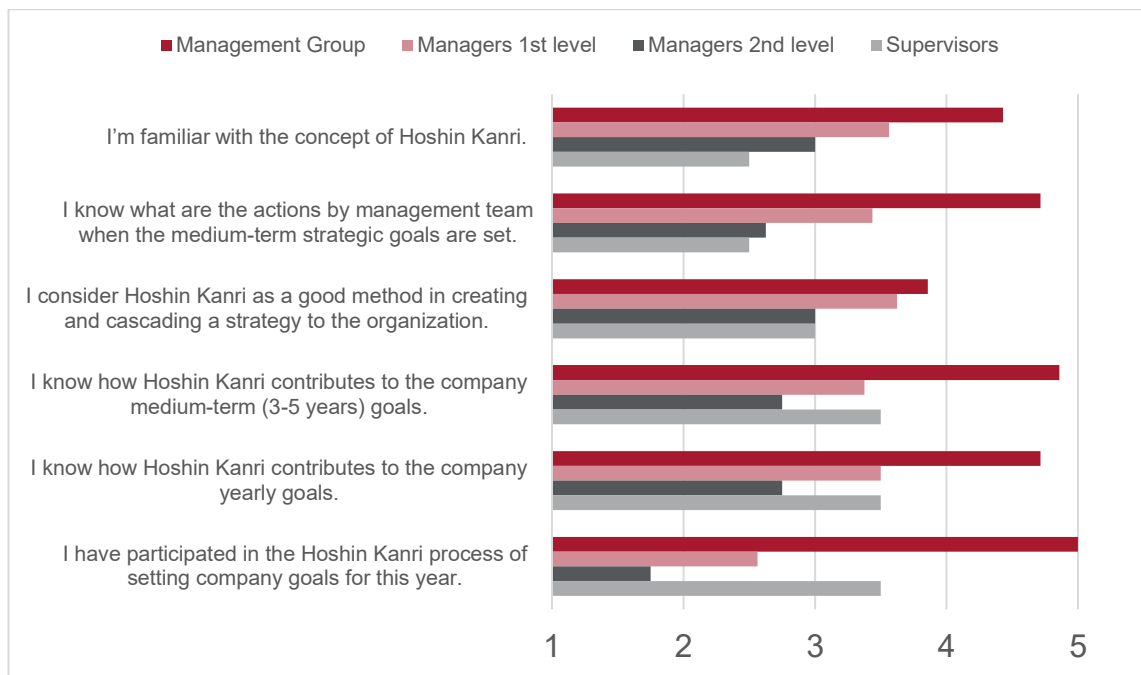


Figure 10: Hoshin Kanri as a Method -section broken down by hierarchy

4.3.2 Hoshin Kanri as a Method –section by department

In the departmental analysis can be seen that Sales, Marketing and Product Management are familiar with the concept of Hoshin Kanri, while Engineering and Aftersales answered below 3 points for the specific question.

Also for the low scoring question regarding if the respondents have participated in the Hoshin Kanri process of setting company goals for the year, Engineering and Aftersales scored well below average: 1.5 for Engineering and 1 for Aftersales.

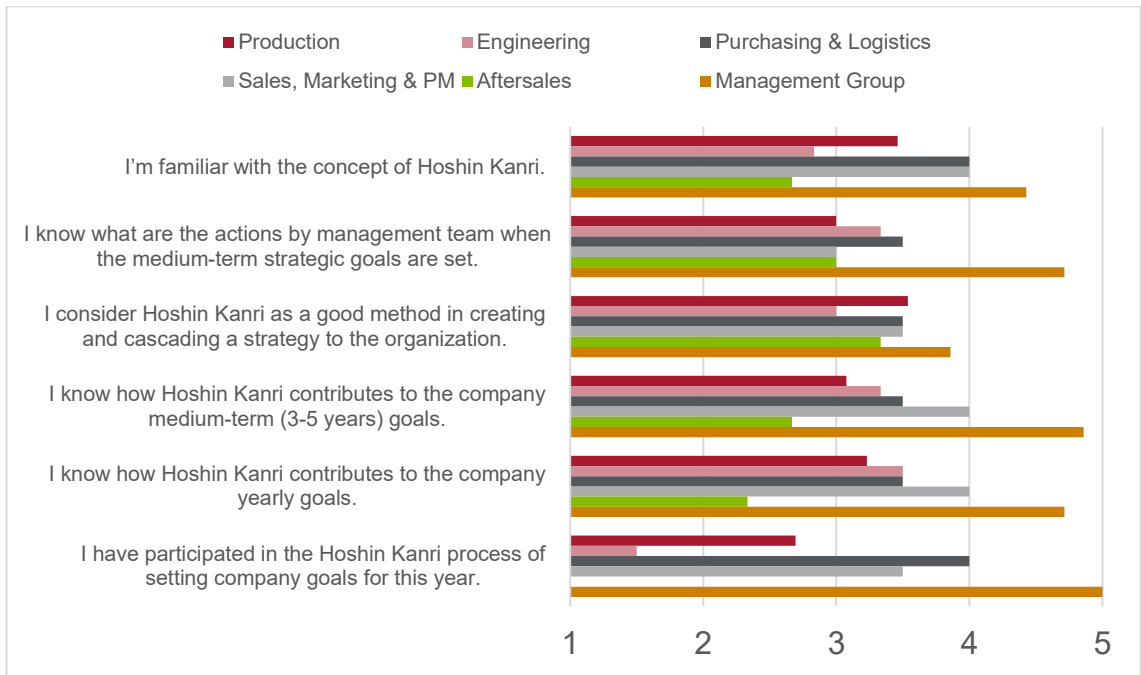


Figure 11: Hoshin Kanri as a method -section broken down by department

4.4 Department performance goals

Company wise there was no outliers regarding the results of the department performance goals. All results average slightly over the average of the whole survey. The average for the company in this section was 3.73.

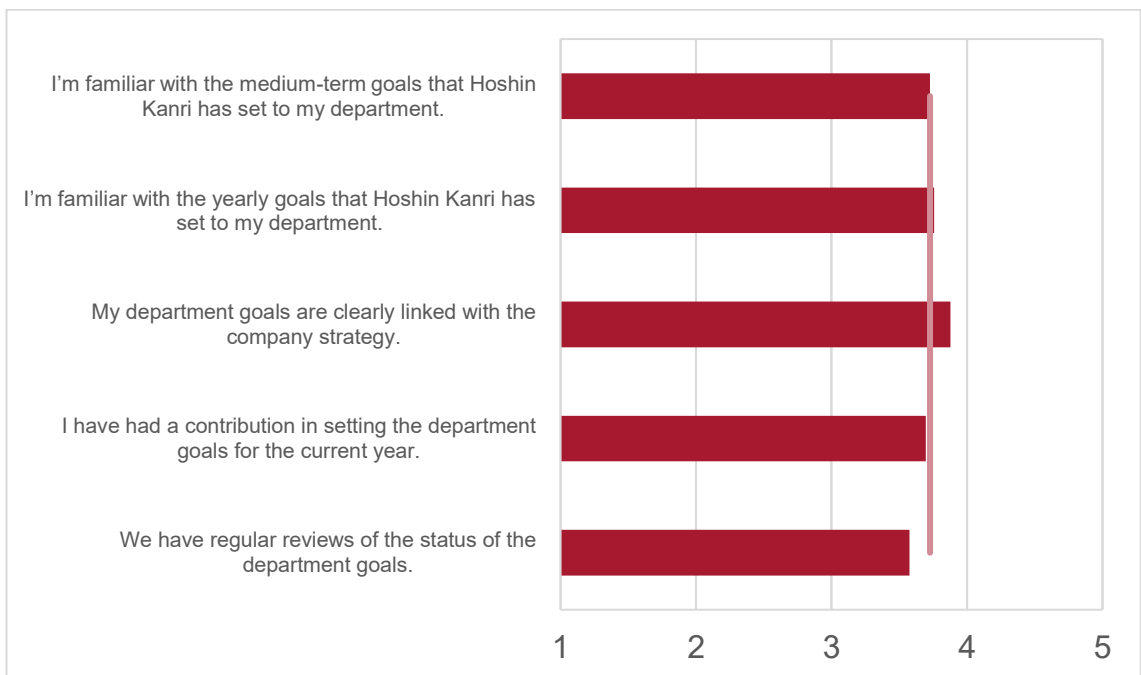


Figure 12: Department Performance Goals -section

4.4.1 Department Performance Goals –section by hierarchy

For the questions “I’m familiar with the medium-term goals that Hoshin Kanri has set to my department”, “*I’m familiar with the yearly goals that Hoshin Kanri has set to my department*” and “*My department goals are clearly linked with the company strategy*”, there is a clear difference between the Management and Managers of first level compared to the Managers of the 2nd level and supervisors. For the questions “I have had a contribution in setting the department goals for the current year” and “We have regular reviews of the status of the department goals”, the hierarchical reduction in score was more even.

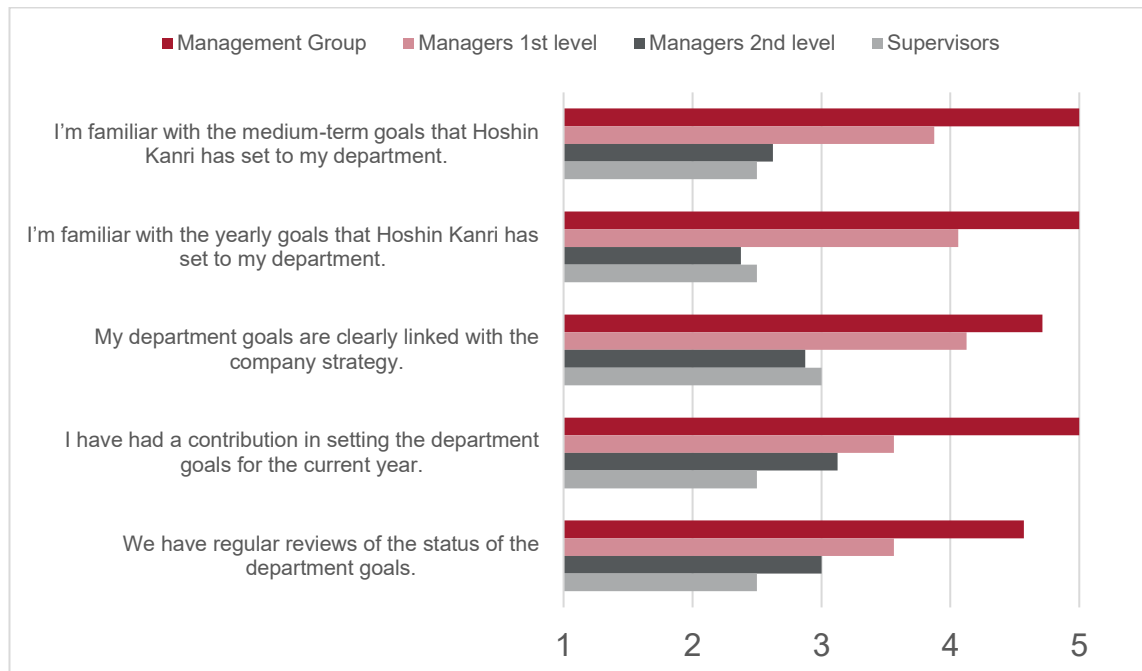


Figure 13: Department Performance Goals -section broken down by hierarchy

4.4.2 Department Performance Goals –section by department

Aftersales responded with lower scores by average in the section of Department Performance Goals especially in the question “I’m familiar with the medium-term goals that Hoshin Kanri has set to my department”.

By average, the Purchasing and Logistics managers as well as Sales, Marketing and Product Management managers responded above the other functional groups.

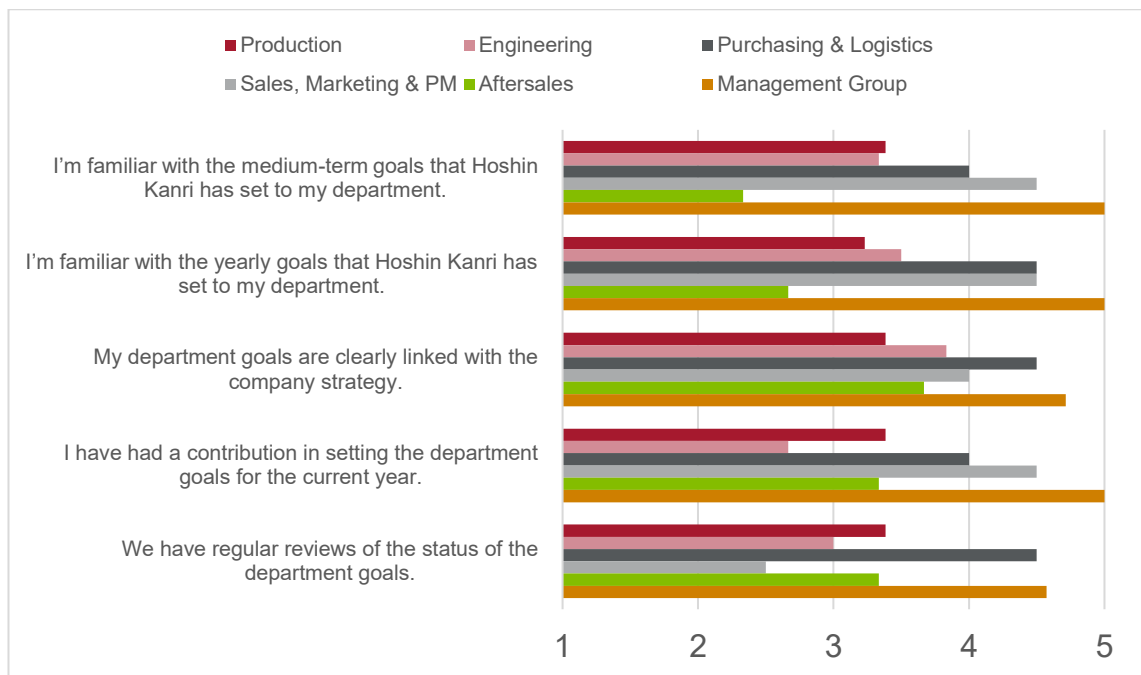


Figure 14: Department Performance Goals –section broken down by department

4.5 Personal Performance Goals

By average the managers and supervisors rated this section as 3.72. As the whole group of managers and supervisors, the respondents were less agreeing regarding questions: “My goals are the result of the Hoshin Kanri Process”, “I have regular reviews of the status of my goals with my supervisor” and “I have enough time and resources to dedicate towards my Goals”.

The respondents agree that they have SMART goals that are aligned with their department goals.



Figure 15: Personal Performance Goals -section

4.5.1 Personal Performance Goals –section by hierarchy

The hierarchical breakdown of the results does not provide any significant results compared to the overall results of the section. The same pattern between the hierarchies can be seen on personal goals compared to department goals.

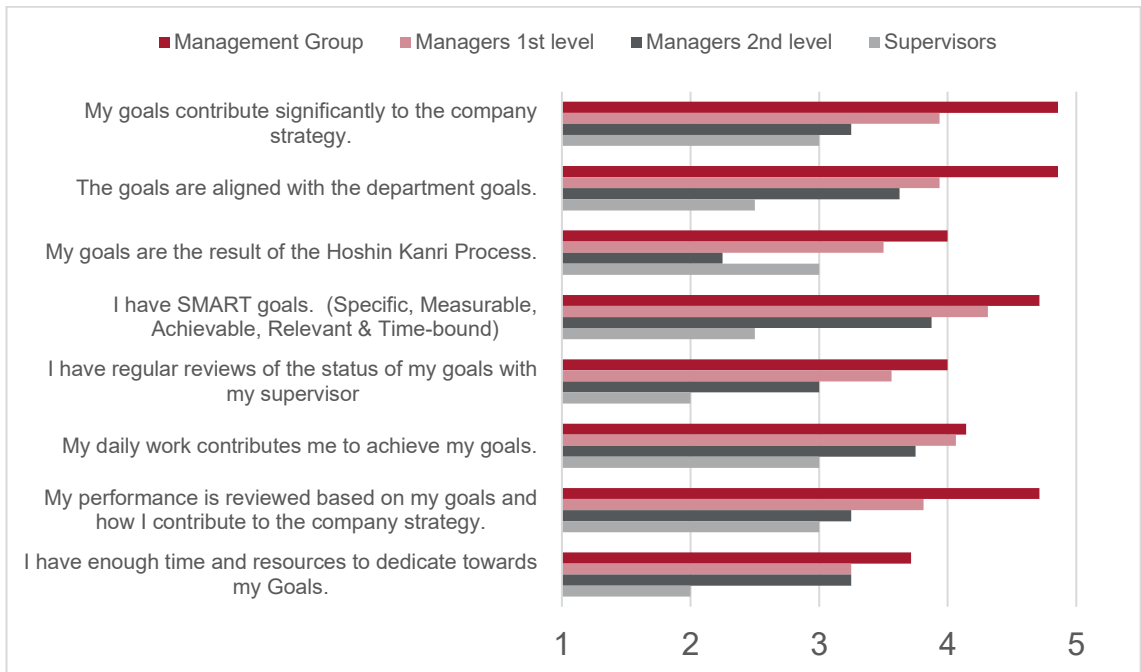


Figure 16: Personal Performance Goals -section broken down by hierarchy

4.5.2 Personal Performance Goals –section by department

The departmental breakdown of the results show that the results between the different departments are close to each other and only one of the questions display a variation of more than 1.5 points between the different departments.

There were two disagreeing responses to the statements by departments. Production disagreed that their personal goals were the result of Hoshin Kanri and Engineering disagreed that they had regular reviews of the status of their goals with their supervisor. Production and Marketing, Sales and Product Management rated this statement lower as well.

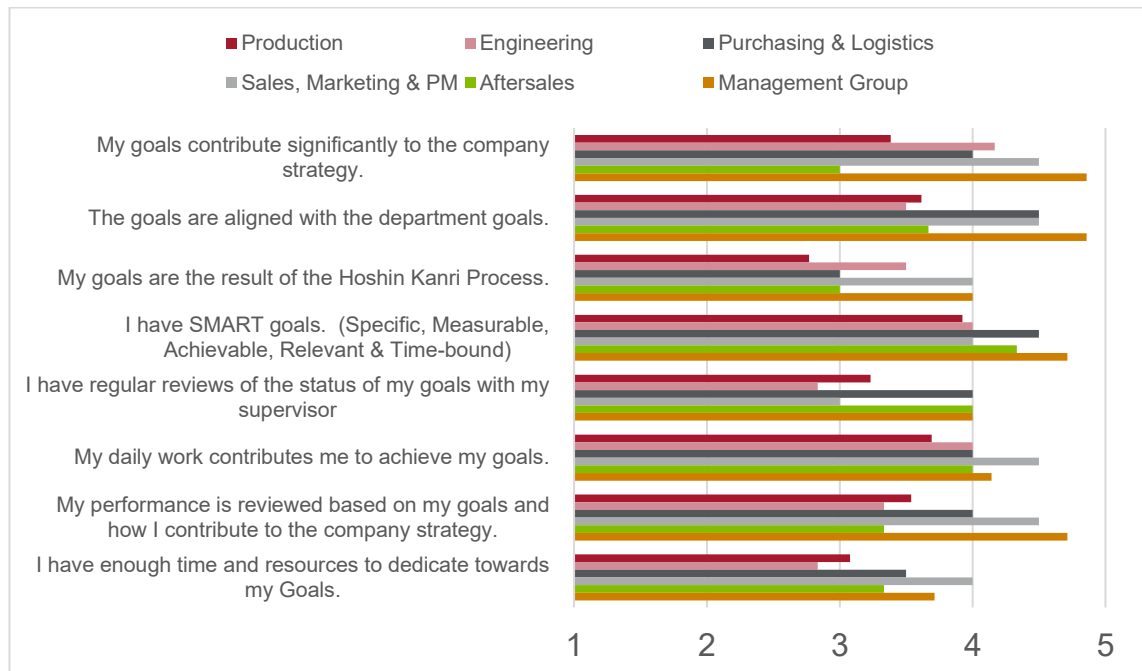


Figure 17: Personal Performance Goals -section broken down by department

5 CONCLUSION

All together the company results are positive, the average of the company was consistently on the more agreeing side.

5.1 Strategy –section

IT seems that all managers and supervisors are interested in the company direction, this could be interpreted that there is commitment from the managers and supervisors. The managers and supervisors also claim to know what the company strategy is and how their work is connected to the strategy.

The lower scoring subjects are that the content in the meeting room Viisaudenhammas, which has served as a meeting room for the strategy meetings, have not been familiarized as much throughout the company. The reason for this could be the location and accessibility of the meeting room as it is located deep in production offices.

5.1.1 Strategy –section by hierarchy

The management group averages very high on all questions and that is expected as they all have been deeply involved with the whole strategy process. It is also expected that the further down in hierarchy the results are observed the lower the level of agreement with the statements. It should be noted that only two respondents identified themselves as Supervisors (4th hierarchy level), this means that a single response will greatly alter the average.

5.1.2 Strategy –section by department

The results of the different departments resemble the overall results of the company. Sales, Marketing and Product Management as well as Purchasing and logistics have been able to tie their work to the strategic goals of the company. This could be due to breakthrough goals directly related to sales quantities and product cost.

Aftersales is relatively disagreeing with the goodness of the strategy and regarding their work being connected to the company strategy. The reason for

this could be that the breakthrough objectives for the company and their sub-projects were not directly tangible with aftersales.

5.2 Communication of the strategy –section

The managers and supervisors were in average least agreeing regarding the communication of the strategy statements. This means that the communication of the strategy to the managers and supervisors has not been as efficient as other topics around the strategy work and implementation.

Within the concept of Hoshin Kanri, the deployment of the strategy is done through the catchball process. Discussions with supervisors has been the most effective way to deploy the strategy according the survey. This can be seen that the catchball process has worked to at least some extent.

The meeting room Viisaudenhammas and Hoshin Kanri meetings rated low as sources for information. The meeting room score can be explained by its location and only a few people visiting it. The low score of the Hoshin Kanri meetings can reflect that people do not recognize the term Hoshin Kanri in their strategy meetings, or that the Hoshin Kanri meeting is understood as the management group Hoshin Kanri meeting.

As the, *I have received enough information regarding the company strategy – statement*, scored highest in the section, it could be argued that a significant source of information regarding the strategy was not identified during the planning of the questionnaire.

5.2.1 Communication of the strategy –section by hierarchy.

The management group has clearly a better visibility to the strategy work and their daily work revolves around the company strategy more than for the other hierarchical levels. By answering with such low scores to the statement regarding the meeting room Viisaudenhammas, the management team admits that they have failed in using the war room efficiently.

The *Discussions with my supervisor have been a good source of information regarding company strategy* statement did score higher overall, but the average throughout the company is mainly elevated by the management team, meaning that the catchball process is effective only on higher hierarchical levels.

5.2.2 Communication of the strategy –section by department

As the Purchasing and Logistics grade the discussions with their supervisor as good sources of information the catchball process has been successful in that department.

On the other departments or statements no obvious conclusions can be drawn.

5.3 Hoshin Kanri as a method –section

The overall lower average in the Hoshin Kanri as a method –section could indicate a negative attitude towards the concept of Hoshin Kanri, it could also mean that role of Hoshin Kanri is not well understood within the organization.

5.3.1 Hoshin Kanri as a method –section by hierarchy

The management group responses differentiation from other managers and supervisors could mean that the daily operation by the management group is revolving more around Hoshin Kanri.

The management group lower rating on the statement *I consider Hoshin Kanri as a good method in creating and cascading strategy to the organization..* Could be interpreted that at least some hesitation regarding the suitability of the framework is present.

The 2nd level managers rate multiple statements below 3 which would indicate that they disagree with statements including I know. This would indicate a clear lack of knowledge about the process on the lower hierarchical level.

5.3.2 Hoshin Kanri as a method –section by department

Sales, Marketing & Product management, as well as Purchasing & logistics seem to have understood the concept better than average together with the management team. This would indicate that the managers and supervisors from these departments have either gained good knowledge from somewhere else, or have participated more frequently in the process than others.

Aftersales scores lower and thereby it a conclusion can be drawn that Aftersales has been less engaged in the Hoshin Kanri process and has not gained understanding of the process elsewhere.

5.4 Department performance goals

The overall responses for the section scored above the average of the survey. This would mean that in general managers and supervisors understand the connection between the Hoshin Kanri process and their department goals.

5.4.1 Department performance goals –section by hierarchy

There is a major degradation when moved through the hierarchy. This would indicate that catchball has worked between the management team and the 1st level supervisors, but the 1st level supervisors have not been able to perform on a similar level when playing catchball with the 2nd level managers.

Considering how much less the 2nd level managers and supervisors agree with the statements, it would mean that the employer level is even less agreeing regarding the statements.

5.4.2 Department performance goals –section by department

Looking at the replies by the aftersales department, it seems like either the department goals are not set by the Hoshin Kanri process or the managers and supervisors cannot identify the connection between Hoshin Kanri and their department goals. There is some inconsistency in the responses by the managers and supervisors of Aftersales as they can link their department goals with the company strategy, but not to the Hoshin Kanri process. This could be due to department goals set outside of the Hoshin Kanri process or managers and supervisors not understanding the concept of Hoshin Kanri.

Purchasing & Logistics and Marketing, Sales and Product Management seem to understand the connection better than the average of the managers.

5.5 Personal performance goals –section

Based on the average of this section, this was one of the sections where the statements received more agreeing answers but on average the company managers and supervisors agree less about there being connection between their personal goals and the Hoshin Kanri. This could be due to the goals not

actually being a result of a Hoshin Kanri process or due to managers and supervisors not seeing the connection.

Another statement that received a less agreeing response was “*I have regular reviews of the status of my goals with my supervisor*”. The only thinkable reason for this would be that the company leadership has not been successful in implementing the CHECK phase of the Hoshin Kanri Process.

5.5.1 Personal performance goals –section by hierarchy

The hierarchical degradation could be caused by the lower success of the catchball process just as in department goals –section.

5.5.2 Personal performance goals –section by department.

In the departmental analysis it can be observed that the connection with goals and Hoshin Kanri is difficult for production and might be a lack of success in catchball.

The statement *I have regular reviews of the status of my goals with my supervisor*, received less agreeing responses from Production, Engineering and Marketing, Sales & Product Management. This is most likely the result of a lower success in implementing the CHECK phase of the Hoshin Kanri process.

5.6 Overall conclusions and suggestions.

The real measure of success in Hoshin Kanri implementation is the level of implementation deep in the organization. A well-made strategy will become inefficient when the company does not execute all levels of its operations towards the strategic goals. Thereby serious consideration should be put to the level of implementation on the lower hierarchical levels of the company. Based on the results, catchball in setting of the personal goals should be practiced with a high standard through the company to support the understanding of the link between Hoshin Kanri, department goals and personal goals. Further emphasis is recommended, to setting clear goals to the people working closest to the levels where value is added, to support the company achieving its strategic goals.

Another takeaway is the follow up. The further down in the hierarchy the view point is, the lower is the perception of regular reviews of meeting the performance goals. The people closer to the value added work are the most important asset of a company and deserve good leadership. They are also the ones in most need of leadership with continuous coaching and review of current status compared to their goals. Thereby a recommendation to the company in this case study is to encourage a solid standardized daily management routine throughout the hierarchy of the company.

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APPENDICES

Appendix 1. The questionnaire

1(7)

Hoshin Kanri - Case Study

Company Strategy

1. On the scale from 1 – 5 how much do you agree with the following statements? (1 Fully Disagree, 5 Fully agree) *

	1	2	3	4	5
I'm interested in the company strategy and I want to understand the direction that the company is headed. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I know what the company strategy is. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I'm familiar with the content of Hoshin Kanri in meeting room Viisaudenhammas *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I know the strategic focus areas of the company. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I understand the connection between my work and the company strategy. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I think the company strategy is a good strategy for the company. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have enough resources to contribute to the company strategy. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(Continued)

2(7)

Communication of the strategy

3. On the scale from 1 – 5 how much do you agree with the following statements? (1 Fully Disagree, 5 Fully agree)

	1	2	3	4	5
The Company strategy is clearly communicated. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have received enough information regarding the company strategy. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The content in meeting room Viisaudenhammas have been a good source of information regarding company strategy. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supervisor Quarterly meetings have been a good source of information regarding company strategy. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personnel bulletins have been a good source of information regarding company strategy. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Discussions with my supervisor have been a good source of information regarding company strategy. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hoshin Kanri meetings have been a good source of information regarding company strategy. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3(7)

Hoshin Kanri as a method

5. On the scale from 1 – 5 how much do you agree with the following statements? (1 Fully Disagree, 5 Fully agree):

	1	2	3	4	5
I'm familiar with the concept of Hoshin Kanri. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I know what are the actions by management team when the medium-term strategic goals are set. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I consider Hoshin Kanri as a good method in creating and cascading a strategy to the organization. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I know how Hoshin Kanri contributes to the company medium-term (3-5 years) goals. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I know how Hoshin Kanri contributes to the company yearly goals. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have participated in the Hoshin Kanri process of setting company goals for this year. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4(7)

Department performance goals

7. On the scale from 1 – 5 how much do you agree with the following statements? (1 Fully Disagree, 5 Fully agree): *

	1	2	3	4	5
I'm familiar with the medium-term goals that Hoshin Kanri has set to my department. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I'm familiar with the yearly goals that Hoshin Kanri has set to my department. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My department goals are clearly linked with the company strategy. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have had a contribution in setting the department goals for the current year. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have regular reviews of the status of the department goals. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5(7)

Personal performance goals

9. On the scale from 1 – 5 how much do you agree with the following statements? (1 Fully Disagree, 5 Fully agree): *

	1	2	3	4	5
My goals contribute significantly to the company strategy. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The goals are aligned with the department goals. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My goals are the result of the Hoshin Kanri Process. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have SMART goals. (Specific, Measurable, Achievable, Relevant & Time-bound) *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have regular reviews of the status of my goals with my supervisor *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My daily work contributes me to achieve my goals. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My performance is reviewed based on my goals and how I contribute to the company strategy. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have enough time and resources to dedicate towards my Goals. *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6(7)

Employee Profile Definition

With the following questions the employee profile is defined to provide an in depth understanding of the status around the company without endangering the responders' anonymity.

To provide an option for you to remain anonymous, there is an option to do that in every question. Please note that using the option of remaining anonymous, will reduce the value creation of this questionnaire.

11. Which department do you work for *

- Production, Manufacturing, Quality or Maintenance
- Engineering
- Purchasing and logistics
- Sales, Marketing or Product Management
- Aftersales
- Management Group

7(7)

12. How many managers or directors are there between you and the managing director? *

- 0 (Members of the management group)
- 1
- 2
- 3
- 4
- 5
- I choose not to answer