Hoshin Kanri

Becoming the best of the best and staying there!

2 years ago Toyota appeared untouchable then followed the product recalls
* BP was Master Class, then the Gulf Oil fiasco
* Rolls Royce engines equalled the best in the world, then the Trent Engine failure
* Then there was the case of the Staffordshire Hospital deaths
  * the Hungarian Aluminium sludge disaster
  Etc., Etc., Etc.,
All of these failures cost billions and all of them were quality related why?

We have had ISO 9000 for nearly 4 decades surely this sort of thing could not happen today so why did it and how can we stop it in the future?

Let’s take another look at Quality.

The ‘Toyota Way’ led the world in the principles of quality management

* The others operated highly structured quality management systems

* The Hungarian Aluminium company was audited just two weeks before the disaster and everything appeared fine!
So what is wrong?

What can we do?

Has ‘quality’ failed or are we missing something?

Is there something better than quality?
We do not think so

We think that in the case of Toyota they lost their way temporarily and maybe some of the others never found it!

Toyota had it right for decades, That is how they came from obscurity in the 1950s to world leader in the late 2000s. but have admitted that they took their eye off the ball, I think they are focused again now!
So what is the ‘right’ way?

We believe that there has been too much reliance on Quality Management Systems. Of course, we need systems, they are essential.

*I live not so far from a nuclear power station and would not sleep at night if I did not think they had good systems!*

But
It does not matter how much System you have, if people do not really care, and the system itself is flawed nobody will notice it and nobody will fix it. 

It is then a disaster waiting to happen  
And it will!

The trend over past decades has been to focus entirely on systems and surveillance Quality itself has become a sort of policing activity bound up in standards, conformance, compliance, rules, regulations, regulations regulations! If things have gone wrong then the remedy has been more severe systems, more auditing, more blame! This is not the way!
Quality has become -
A police force activity parallel to production rather than part of it!

If people do not care, if people just do their job according to ‘regulations’ then no amount of quality control is going to make any difference.

_Somehow we need to capture the hearts and minds of our people,_

_How?_
We also need some underlying beliefs

*Each person is (or should be if we have trained them properly) the expert in his or her own job*
We need to

Harness the creativity, skills, job knowledge of all the people in our organisation to make us the best in our field (Corporate IQ!)

Typical organisation

Global High Performer using Hoshin Kanri

We do not want to look like this?

We want to look like this?
We need to move from this

**Functional management** — Departmental goals more important than corporate goals — when things go wrong blame the other departments —

*Whose fault was it!* it is a terrible waste of energy

To this

**Hoshin management** - Corporate goals ARE Departmental goals – If things go wrong – find what is wrong with the process

– *attack problems not people!*

‘Value’ Chain Interconnections

Multiple interacting suppliers and sub supplier processes each comprising – people, methods, materials, equipment, environmental variation and measurements makes for a complex system

Imagined each contributing to the VISION and each has its specific KPIs integrated into the Corporate whole
Olympic hero Chris Hoy knighted as sport stars grab honours

Do we want to look like this? ---------------------- or this?

David Brailsford
Olympic team coach said:
"Everybody in our team dedicate their lives to the pursuit of a dream - to win a gold medal. When they do get recognised in this way it is a fantastic honour."
David Brailsford also said: “It was by attention to detail that gave us the advantage over the other teams. We considered everything even the smallest improvements that would give us a competitive edge. It was the accumulation of these small details that made us unbeatable.”

In Toyota from a labour force of 40,000 people they have over 2,600,000 improvement suggestions per year of which 96% are implemented!

(Their recent failure was for a different reason)

Quality Circle at work in Kraft Foods Venezuela December 2008
Establish Vision and Mission, Set Corporate goals and targets - agree overall programme, monitor and support.

Agree and establish departmental goals, participate in project teams, support Quality Circles.

Agree and establish section goals, participate in continuous improvement activities through Quality Circles.

Set the goal from Benchmarking

Successful presence in global and domestic markets as a leading organisation in quality, technology, production and sustainable development

World class performers

Our Company

Do not target where they are now, target for where they will be in 3/5 years time.

3/5 years

Our Company
Problem Composition: 1987 and 1994
(Industry Average Problems Per 100 Cars)

Water Leaks: 166
Steering and Handling: 6
Temperature Control: 8
Brakes: 9
Transmission: 11
Wind Noise: 11
Body: 16
Interior: 17
Exterior Paint & Moldings: 17
Squeaks & Rattles: 19
Engine: 24
Electrical & Accessories: 28

1987: 110
1994: 28

This might be the target for today

2010?
2020?

Hoshin Implementation Outline Plan
October/November

Steering Group meeting
Set up project office and facilities
Identify key resources
Plan Steering Group meetings
Brief and train combined teams
Develop communication plan
Brief managers

Customers
Employees
Suppliers
Organisation
Design and innovation
Technology
Processes
Finance

“as is” Analysis
• Process Map
• Benchmark best in class
• Agree target performance
• Identify improvement opp’s

November onwards

• Prioritise opportunities
• Establish KPIs (use QFD)
• Plan for rollout and deployment
• Monitor Cost/ benefits

• Implement
• Review
• Update
• PDCA

Project Support
Communication
Change/program mgmt

Mobilisation

Plan. Analyse. Develop, implement
### Tree diagram format - Key Performance Indicators

<table>
<thead>
<tr>
<th>MISSION ELEMENT</th>
<th>DRIVERS</th>
<th>MEASURE</th>
<th>CURRENT SITUATION</th>
<th>BENCHMARK SOURCE</th>
<th>TARGET</th>
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<tbody>
<tr>
<td>KNOWLEDGE</td>
<td>SKILL TESTING</td>
<td>WORLD CLASS COMPANIES</td>
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<td>STAFF APPRAISAL</td>
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<td>MULTI-SKILLING</td>
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<td>LABOUR TURNOVER</td>
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<td>RESPONSE TO JOB ADVERTS</td>
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<td>CUSTOMER COMPLAINTS</td>
<td>WORLD CLASS COMPANIES</td>
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<td></td>
<td>SAFETY - LOST-TIME ACCIDENTS</td>
<td>WORLD CLASS COMPANIES</td>
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### Strategic Plan

- **Maximise SAPCO’s importance to both Iran Khodro and the Iran Khodro Supply Chain through the provision of Shared Services to create and grow profit centres in Financial Management, Training Services, Market Research, 2nd Part, Quality, Auditing Supply Chain Management, Call Centre facilities.**
- **SAPCO also offers these services to both local and international organisations through the development of its facilities in Tehran and later in other international locations.**

### Corporate Mission

- **Vision**
  
  Ranked at top 10 global auto parts supplier enjoy 50% of its income by export

- **Mission**
  
  Supplying materials, Parts, auto combinations through establishing and extending a competent world class chain network suppliers to meet the needs of the Iran Khodro group.

### Tree Diagram Details

- **Customer**
  - To be seen as a caring employer in order to attract the best graduates and local people to join our highly trained workforce and to use the knowledge, skill and creativity of all of our employees to make us the best in our business.

- **Employees**
  - To assist our suppliers to become world class and loyal to our company through partnerships, long term business, caring for their needs, and listening to their skilled advice.

- **Suppliers**
  - To provide rapid high quality low cost response to the customers of all our key business support and management processes through the minimisation of non added value activities.

- **Processes**
  - To provide rapid high quality low cost response to the customers of all our key business support and management processes through the minimisation of non added value activities.

- **Organisation**
  - To become fit, fast, lean and hungry through the application of best practice management skills. To constantly review the management system to remain in a state of continual improvement at a rate equal or better than our competitors and ensure that our management system is designed to optimise the whole business rather than improve one function at the expense of others.

- **Technology**
  - To continually evaluate and where appropriate, implement new technologies where they can be proven to optimise business performance in terms of cost, quality and delivery.

- **Finance**
  - To practice added value management accounting procedures to satisfy the needs of both its internal and external customers.

- **Design and Innovation**
  - To keep the market looking to us for the latest and most innovative environmentally friendly products and services to meet the present and future needs of our customers, from conceptual design through to export.
To be both the internal and the external customer's first choice by the identification, anticipation and satisfaction of their real needs, and to provide excellent after-sales support. Customers also include stakeholders and interested parties.

**Internal Customers**
- **First Choice**
  - **Identification of needs**
    - Trend analysis
    - Market research
  - **Satisfaction of needs**
    - Market research
  - **Anticipation of needs**
    - Trend analysis
    - Market research
- **Replacement availability**
- **User training**
- **Repair time**
- **Analysis of service reports**
- **Identify specific stakeholders**
  - **Local Community needs analysis**
  - **Trade Community**
  - **Media and PR relations**

**External Customers**
- **Warranty Claims**
- **Product recall interviews**
- **Kano Model analysis**
- **Complaint data**
  - **Number of complaints**
  - **Number of recorded incidents**
  - **Number of positive reports**
  - **Number of negative reports**
- **Customer praise**
- **International media reports**
- **OEM analysis of complaints**

**Stakeholders**
- **Repair time**
- **Analysis of service reports**
- **Identify specific stakeholders**
  - **Local Community needs analysis**
  - **Trade Community**
  - **Media and PR relations**

**Interested Parties**
- **Repair time**
- **Analysis of service reports**
- **Identify specific stakeholders**

**Hoshin Planning**

**‘CUSTOMER RELATED MANAGEMENT’ HOUSE OF QUALITY**

To improve customer loyalty

**Correlation matrix**

- Central Matrix
  - (Relationships)
  - Current performance
  - Target performance

**Function/department/process**

**Actions**

**Can be transferred to Staff objectives**
Departments in Company or functions in own department

Medical Products
Customer: Trumpton Hospital

Performance & In-process Measures

<table>
<thead>
<tr>
<th>KPI</th>
<th>Measure</th>
<th>Current</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>On time delivery</td>
<td>Promises kept</td>
<td>5</td>
<td>85%</td>
</tr>
<tr>
<td>Provision of Technical Services</td>
<td>Product application</td>
<td>2</td>
<td>100%</td>
</tr>
<tr>
<td>Prompt handling of complaints</td>
<td>No of days</td>
<td>4</td>
<td>80%</td>
</tr>
<tr>
<td>Good quality (Physical Characteristics)</td>
<td>The product standard</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>Suitable Price</td>
<td>Market price band</td>
<td>4</td>
<td>100%</td>
</tr>
<tr>
<td>Effective communication</td>
<td>No of meetings</td>
<td>2</td>
<td>50%</td>
</tr>
<tr>
<td>Provision of consultation</td>
<td>No of consultation hrs</td>
<td>4</td>
<td>100%</td>
</tr>
<tr>
<td>Packaging</td>
<td>Packaging standard</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>Provision of credit</td>
<td>Financial crediting</td>
<td>5</td>
<td>100%</td>
</tr>
</tbody>
</table>

Multiple story boards for visible management

Vision
Mission
Key Performance Indicators
Policies
Goals

Management Review against Score Cards

Daily Performance against Staff Objectives

Projects selected from Staff Objectives

Divisional Heads Policy

Section Heads Policy

Self Directing Work Groups Policy

Effective communication

Promotion of consultation

Packaging

Provision of credit

Skills training

IMPROVEMENT

Multiple story boards for visible management

Story Boards

CQI
Chartered Quality Institute
Finally!
Award achievement

We all seek recognition for our achievements no matter how small.

Look what people will do to get a Gold Medal in the Olympic Games!

8 features of Global High Performance

1. Top management involvement – not just commitment.
2. Clear 'Vision' from the top and clear policies for all business drivers.
3. 'Key Performance Indicators' (KPI's).
4. 'Benchmarking' against competitors and 'best in class' processes and the product looks after itself!
5. 'Champions' nominated for major initiatives.
6. Continuous Improvement at all levels + Lean Six Sigma
7. Self Directing Workplace improvement teams.
8. Attack problems not people.

Global High Performer

Vector sum of energy

High 'Corporate IQ'