

HOSHIN KANRI: POLICY MANAGEMENT IN JAPANESE SUBSIDIARIES BASED IN POLAND

Marek Ćwiklicki¹, Hubert Obora²

Cracow University of Economics, ul. Rakowicka 27, 31-510 Kraków, Poland

E-mails: ¹marek.cwiklicki@uek.krakow.pl (corresponding author);

²hubert.obora@uek.krakow.pl

Received 18 November 2010; accepted 15 January 2011

Abstract. This article presents the findings from a research project on the Polish model of Hoshin Kanri identified in Japanese subsidiaries operating in Poland. It begins with an overview of the basic models of the method described in literature. Next, the findings of the project are presented. They were established on the basis of the first, quantitative stage of research conducted in over 50 enterprises of this kind and focusing on the awareness and practical application of Japanese management methods. The case studies permitted to develop a meta-model of the method typical of Japanese companies operating in Poland.

Keywords: Hoshin Kanri, policy management, strategy, total quality management.

Reference to this paper should be made as follows: Ćwiklicki, M.; Obora, H. 2011. Hoshin Kanri: policy management in Japanese subsidiaries based in Poland, *Business, Management and Education* 9(2): 216–235.
<http://dx.doi.org/10.3846/bme.2011.15>

JEL classification: M19, M21.

1. Introduction

The Hoshin Kanri method developed in Japan in the late 1960s has now become an integral component in numerous organizations implementing new management concepts, such as TQM, Lean Management or Six Sigma. It is perceived as a main source of successful management although not the one (Kazlauskaitė, Buciniene 2008; Nita 2008; Ogrea *et al.* 2008). Yet it was not until the publication of an English translation of a seminal book edited by Y. Akao titled *Hoshin Kanri: Policy deployment for successful TQM* (Akao 1991) that it actually gained popularity among the methodologists and practitioners of management. The book extensively discusses a wide range of issues related to the method. Two years before it, a work by B. King (1989) also devoted to Hoshin Kanri had been published, but it is Akao's book that has gained the status of the bible of this method. Since then, more and more analytical publications presenting this method have appeared, though the process is slow and occurs on an irregular basis (Jolayemi 2008: 296).

Hoshin Kanri has no unequivocally accepted interpretation or definition. The analysis of case studies offered by literature permits us to isolate several, partly convergent models that differ depending on the country origin of their authors or the enterprise studied. Besides, the question arises whether Japanese enterprises operating in Poland also apply this method, and if so, whether it makes sense to talk about the Polish model of Hoshin Kanri.

The question posed above has become one of the reasons why the authors of the present paper decided to start research into this area. The main aim of the article is to present the framework of the Hoshin Kanri model as applied in Poland.

2. Hoshin Kanri models reviewed

A presentation of all the details of all the existing Hoshin Kanri models falls outside the scope of the present study; hence the authors have decided to introduce only their origin and typical characteristics, supplementing them, where necessary, with references to original studies that contain more detailed accounts.

The Hoshin Kanri method originates from Japan. Its development is linked with the shaping of comprehensive quality management, which was initially defined there as Company-Wide Quality Control, and later Total Quality Management. The first description of this method is to be found in a report of 1965 concerning the best practices in the area of planning which were awarded the Deming prize (Akao 1991: 46).

Problems inherent in the translation of this term into other languages resulted in the use of its original formulation, sometimes using only the word *hoshin*. The most complete definition of Hoshin Kanri based on the analysis of approaches by K. Nayatani, S. Mizuno, S. Miura and T. Sugimoti, was proposed by Y. Akao, who characterized it as a system for strengthening the overall capacity of an organization focused on improving its operation. This improvement occurs through the deployment of a standardized policy and plan (implement, check, improve) established as an annual management program based on the motto of the organization understood as the main concept of management adopted by it. Strategic management derives from the long- and medium-term management plan and the annual management plan implemented by way of combining quality, magnitude, cost and time (of delivery) as well as rational utilization of key organizational resources. Y. Akao supplements the above definition with the need to apply the concept of Quality Control and relevant methods (Akao 1991: 17).

The first descriptions of the concept in the English-language literature are based on Japanese source texts. The model by B. King of 1989 is considered as one of the earliest. King (1989) applies the Hoshin Kanri model to a broader approach to strategic management in quality management systems. Achievement of excellence in this area is, in his opinion, analogous to that contained in Maslow's hierarchy of needs, i.e. the achievement of a higher-order goal is possible only once the lower-order needs have been met. Phases (or steps) in the hierarchy are reflected by individual stages of Hoshin Kanri, all of which occur only in the last phase.

Increased worldwide interest in this method coincided with the translation of the book edited by Y. Akao into English in 1991, which came to be called the bible of Hoshin Kanri. The model described there can be synthetically presented as follows.

The first task implemented within the Hoshin Kanri framework is a decision by the top management as to the basic principles of the business activity. This occurs through formulating a vision for the organization (company) and the key objectives to be achieved. Then, in cooperation with middle management (responsible for this stage of activity), ways to achieve the objectives set are developed and appropriate means and resources are designated to that end. Subsequent measures include negotiations among the middle management and implementation teams whose responsibility is to achieve the targets formulated at the previous stage. First of all, they apply to the ways of measuring the extent to which the adopted strategy has advanced. On completion of the negotiations, implementation teams execute the agreed-upon responsibilities and adopt a timeframe for their completion. Additionally, higher-level management reviews the performance of implementing teams and evaluates the planning system itself.

The first implementation of Hoshin Kanri outside Japan was presented in model form by G. R. Wood and K. F. Munshi in 1991. They described the case of Florida Power & Light (the largest American energy company), whose solution in the area of strategic quality management was awarded the Deming Prize in 1989. The Hoshin Kanri model applied by the company is not, in general terms, different from that proposed by Y. Akao. However, its authors supplemented it with details, which mean that this method can be essentially described as a quality management system.

Another model was presented by P. Babich (1998). He based it on his experiences derived from his work in the San Diego division of Hewlett-Packard. His description showed the Hoshin Kanri method as a formalized procedure accompanied by specific documents. Likewise, in the definition of the method adopted by the author as a system of forms and rules to structure the planning process (Babich 1998: 21), the significance of documentation is underscored. This caused a shift in the perception of the method as a bureaucratized mode of management.

S. Shiba is the author of the most popular version of the Hoshin Kanri method in Polish specialist literature. This dissemination is the consequence of Z. Martyniak's efforts, who in his publications (1998, 1999) was the first to characterize it in detail. His works were based on the publication by S. Shiba of 1995 titled *Le Management of par Percée: Méthode Hoshin*. S. Shiba (1995) in its own model does not mention details of specific enterprises. The author focuses more on demonstrating that the method constitutes a sequence of activities implemented on an annual basis, which contribute to a better understanding and implementation of quality management.

A similar model to that described by S. Shiba was presented by D. Hutchins. His approach is one of the more recent models of Hoshin Kanri. In his introduction, D. Hutchins (2008) explains that his proposal derives from its implementation in the industry and indirectly, from the experiences from his cooperation with M. Juran, K. Ishikawa and

N. Kano. A characteristic feature of Hutchins' model is the large number of references to auxiliary methods that support the implementation of Hoshin Kanri. For this reason, the model can also be treated as the compendium of knowledge concerning Hoshin Kanri that includes current concepts in management. Unfortunately, they are not always supported by examples from specific enterprises.

The works of B. Witcher and R. Butterworth (Witcher 2002, 2003; Witcher, Butterworth 1997, 1999, 2000, 2001a, 2001b), showing the British model, deserve special attention. The pair from Norwich Business School, University of East England, conducted research in 1997–1998 among Japanese divisions of companies working in England: Calsonic (producer of automobile air-conditioning units), Nissan Yamato Engineering (at present, Unipress, the producer of presses) and NSK Bearings (producer of ball bearings). They developed a synthesis of Hoshin Kanri, presenting its as a British model. The model developed by English researchers shows somewhat different characteristics of Hoshin Kanri to the ones presented above, but it remains well within the conventions of the PDCA cycle.

Witcher and Butterworth's model shows that the fundamental stages of procedure in the Hoshin Kanri method are common to all the cases studied. However, its implementation in individual enterprises differs in terms of detail. This results from different management styles and the organizational cultures. Still, regardless of these differences, the main methodical train of Hoshin Kanri thought remains unchanged. B. Witcher and R. Butterworth quote Y. Akao: "pull together the forces within a company and to unite the minds internally, to perpetually improve its performance by adjusting quickly to change" (Akao 1991: 174).

To conclude the review of Hoshin Kanri models, it is worth mentioning T. Jackson's work. This author conducted the most extensive study of combined approaches Hoshin Kanri – Lean Management in his book *Hoshin Kanri for the Lean Enterprise* of 2006, which was awarded the Shingo Prize. T. L. Jackson (2006: 12) claims that "At heart lean, six sigma and lean-six sigma is the same exceptional business operating system: Hoshin Kanri". This means that Hoshin Kanri, usually treated as a method of strategic management, finds its use not only in quality management systems, but also in other ones, in this instance, in Lean Management.

3. Research methodology¹

Identification of the application of Hoshin Kanri in Japanese enterprises operating in Poland was a two-stage process. First, it was established by means of a telephone survey which management methods linked with quality management are used in these organizations. In order to eliminate the errors due to possible variants of translation of relevant

¹ This study was made possible thanks to the financial support of the Polish Ministry of Science and Higher Education and the consent of staff of companies studied to provide detailed explanations of their management systems, for which we would like to extend special thanks to them.

terminology and to minimize the risk of lip service, the survey included questions that helped to establish whether the enterprises surveyed do, in fact, show the characteristics features of Hoshin Kanri. In this way, five enterprises were chosen for detailed study. In stage two, only three companies agreed to in-depth interviews, which made it possible to identify the Hoshin Kanri model applied by them. None of these companies, however, agreed to make their names public. Consequently, the authors had to remove from the study all the references that would make possible their identification. This was to the detriment of the study, since one of these companies applies an interesting production system based on Toyota Production System, the second corporation that owns another enterprise is considered to be the mysterious source of success of one of largest Japanese companies, and the last one constitutes a good example of what H. Fayol described as *esprit de corps* throughout the entire organization. Characteristics of these organizations are presented below.

4. Characteristics of research subjects

Interviews were carried out with authorized representatives responsible for quality management systems of three enterprises: Company A, Company B and Company C between April and June 2010. The organizations mentioned differ in respect of the time they started operating in Poland, the number of employees, the profile of activity and the scope of involvement of Japanese managers in day-to-day management. Their synthetic comparison is shown in Table 1.

Table 1. Characteristics of enterprises that apply Hoshin Kanri in practice (Source: data collected by the authors)

	Company A	Company B	Company C
Year operation started in Poland	Before 2010	Late 1990s	2000
Number of staff	150	Over 200	85
% of Japanese management	50%	0%	50%
Management systems	ISO 9000, ISO 14000, OHSAS 18000	ISO 9000 and trade	ISO 9000, ISO 14000
Business profile	Manufacturing, assembly	Manufacturing	Services
Trade	Electronics	–	Commerce, logistics

Based on the interviews, the authors reconstructed the Hoshin Kanri models characteristic of each organization, which were subsequently generalized. Thanks to such an inductive approach, it was possible to reconstruct a model of this method as applied by Japanese companies operating in Poland.

In each company, strategy is linked with the company vision and mission. Called in English philosophies, the performance guidelines usually reflect the three principles that should constitute the basis for everyday work. Even though these sets of principles differ by organization, they do have several elements in common. It is from these principles that the strategy ensues, which, once translated into local strategies, and constitutes the beginning of the Hoshin Kanri process.

The achievement of a vision is related to a dream (*yume* in Japanese), usually associated with the client or more broadly, the environment in which the organisation operates. The achievement of such a dream and vision can be aided by the spirit that means both the belief (*shinnen* in Japanese) in the company's capacity to meet the challenges and perseverance in pursuing its goals by individuals and company staff as a whole. It is explained that staff members should independently set targets for themselves and achieve them, while at the same time attempting to develop their skills, whereas the team should create trust and undertake joint activities to provide positive stimuli. This indomitable spirit, never giving up and acting with a passion to achieve a goal, is related to a challenge (*shokon* in Japanese). It should constitute both the spirit of progress that manifests itself as ongoing improvement in offering services to customers by developing new functions and new areas of activity. These two elements are supplemented by a reference to reality. Therefore the need to act is underscored (*kōdō* in Japanese) in such a way as to achieve it. The rule *genchi genbutsu genjitsu* is familiar especially with respect to the concept of Lean Management developed by Toyota. The words *genchi genbutsu* literally mean the actual location and the actual materials or products, which is interpreted as 'visiting the actual places, seeing the actual things in order to understand it' (Liker 2005: 344), or 'go and see' for short. The word *genjitsu*, which does not appear in J. K. Liker's work, means the reality or facts, and explains what needs to be observed. These three words are also called for short 3-gen shugi, which literally means 'philosophy of three facts', also called management by facts (Miller 2007).

4.1. The model of Hoshin Kanri at Company A

Deployment of strategic objectives

The corporate strategy of Company A comprises both the objectives set by its head office in Japan and the objectives developed by the staff of the factory. In the first instance, the authors of these objectives are Japanese, with the staff of the Polish factory obliged only to achieve them. The objectives dictated by the corporate head office in Japan are usually set at a very high level and are linked with the implementation of the fundamental principles of the philosophy of the corporation. The staff indicates that often it is impossible to achieve them within the designated period of time, but the fact that they are set so high is supposed to show that all the workers need to persist in trying to achieve them. One can conclude that the quality of operation in this corporation is identical with excellence in operation.

In the second instance, the objectives are worked out by the staff of Company A based on the analyses of performance to date. Division managers coming from Japan are responsible for specifying and presenting their proposals, but they are compiled by deputy division managers (who are Polish). In this instance, deputy division managers can be substituted by a specialist appointed by him.

The list of objectives for individual divisions is worked out once a year by the division manager along with his deputy or appointed specialist². Employees working in a given division have the right to express their opinion about the objectives as the list is being drafted. The extent of staff involvement in defining the objectives to be achieved is different in individual divisions and depends on the management style of their manager. Once the list has been approved by the head of the division, the workers no longer have the possibility to influence its contents. The list is then submitted to the company management, where it is analyzed, possible changes are introduced and the official version is approved.

Company A broadly applies the Lean Management approach. In the case of planning strategic objectives, there are no written rules, documents, forms etc. The planning of objectives is more like the process of adapting the company to the changing circumstances based on an ongoing evaluation of its performance to date and various relevant analyses, which is reminiscent of an emergent strategy.

Deployment of objectives

The president of the company approves the list of objectives to be implemented in a given year. Objectives for the entire company are then transformed into targets for individual divisions, which are subsequently changed into particular measures to bring about their accomplishment. The deployment of objectives occurs through cascading. The staff of individual divisions has a limited power to influence their contents at this stage. Of course, objectives at every level are discussed with a view to analyzing the ways and means of their accomplishment. At this stage, there is no feedback component, only the communication of targets to be achieved.

Performance check

The extent to which Company A has achieved its targets is controlled against three timeframes.

The first one consists in daily verification of task performance by individual divisions combined with the evaluation of strictly operational activities (i.e. production-oriented) by way of briefings and working meetings.

Once a month, a meeting of the so-called process leaders is held (process leaders are deputy division managers), at which the extent to which the adopted targets have been achieved is discussed. In the event that it is judged unsatisfactory, proposed and under-

² Such a system has been in operation for only two years, but in the staff opinion, works in practice.

taken are appropriate corrective or preventive actions. Targets and the extent to which they have been achieved are discussed by process leaders. Such a joint analysis helps the participants in the meeting to better understand the targets of other units and the extent to which they interrelate with their own targets. In order that this type of meetings proceeds effectively, their participants must possess a broad knowledge regarding the targets and processes implemented throughout the company. Japanese managers expect their staff not only to know the specifics of their own division, process etc., but also look from a broader perspective, in order to understand the relationships amongst different processes and operations in different parts of the organization.

Given the fact that Company A runs an integrated system of managing quality, the environment and industrial safety, special reviews of this system are conducted twice a year. These reviews consist in checking the extent of target achievement by the enterprise with respect to their division into individual divisions. During such reviews, division managers report results achieved by their subordinates, present possible reasons for failures in this area and propose possible actions geared at improving the situation. Very often, in the event of failure to achieve a specific target, the president of the enterprise expects the manager of the relevant division to report on the fact.

Company A acts on the assumption that the reasons for inadequate performance are sought once the extent to which the target has been achieved drops to below 95%. The company underscores the importance of appropriate graphic visualization of performance using a number of types of graphs and diagrams (such as bar charts / histograms, linear or pie charts).

Corrective actions

Checking performance is closely linked with the approach to measures that correct the extent to which company targets have been achieved. First of all, they are realized in day-to-day work on the basis of ongoing analyses (e.g. index-based process analysis) and thanks to communicating the extent of their achievement among the staff of the division.

Corrective actions in the area of target achievement also constitute a topic of monthly meetings of process leaders. However, decisions made at these meetings have a broader dimension linked with the opportunity to analyze the extent to which different interrelated targets have been achieved.

However, the corrective actions that originate in the reviews of the integrated management system are the most formal in character (owing to the requirements of ISO standards) (Kaziliunas 2008). Based on the reports submitted division managers, undertaken are the most serious corrective operations related to the achievement of adopted targets, which are re-checked after six months during a subsequent review.

Owing to the relatively short time of operation of the Polish division, no mechanism has been worked out so far to reward workers for achieving the set targets. This occurs indirectly thanks to a series of competitions (e.g. competitions of quality circles,

evaluation of kaizen projects, ideas for saving energy). The extent to which Company A has achieved its goals is also reviewed by its Japanese head office. The goals proposed and achieved by this factory, if they are evaluated positively in the head office, can be recommended for achievement to sister enterprises worldwide.

A general model of Hoshin Kanri at Company A

The shape of the Hoshin Kanri model applied at company A is influenced by two specific conditions. The first one is the operation of an integrated system of managing quality, the environment and industrial safety based on the requirements of the ISO families of industrial standards: series 9000, 14000 and 18000, respectively. Mechanisms of planning, implementation, checking performance and correction of strategic objectives are partly conditioned by the operation of this system (e.g. checking the extent to which targets have been achieved during system reviews). The other factor that influences the shape of the Hoshin Kanri model at company A's Polish factory is the approach to management characteristic of its Japanese managers, which includes the following:

- the setting of very ambitious goals or “tuning up” the goals proposed by the workers;
- the deployment of objectives on the basis of a consistent scrutiny of facts (management by facts), in-depth analyses of proposed goals on the basis of data obtained from the company, the environment, sister companies (benchmarking), etc.;
- decision-making concerning the adoption of specific goals based on in-depth analyses supported by possible discussions with workers;
- increased commitment and initiative required from Polish workers;
- focus on very young workers whose attitudes and behaviors can be shaped by the company in a way consistent with its corporate philosophy;
- teaching staff to make decisions using the coaching technique instead of workshops. Japanese managers inform their staff about certain tasks without necessarily explaining the course of action, just the targets to be achieved. This teaches the workers to be more independent in getting to know the organization and all that it represents).

The shape of Hoshin Kanri at Company A is crucially influenced by the fact that the Japanese plan to leave this factory in the hands of Polish managers once they have been appropriately trained. Hence the high expectations of staff, who are assigned an ever increasing range of responsibilities and powers. At the moment, one of the divisions of the company is run by a Polish manager.

4.2. The model of Hoshin Kanri at Company B

Setting strategic objectives

At company A, strategic objectives expressed in financial terms are set during the meetings of presidents of individual subsidiaries at the Italian head office of the corporation. The Polish subsidiary is also represented by the finance director. As a result of discus-

sions, an annual budget is drafted, which becomes the basis for the activities of the subsidiary. The process of its preparation is informed by external data connected with the analysis of global economic trends. Financial objectives are supplemented at the local level with determined independently qualitative objectives. Objectives formulated in this way are linked with performance indicators together with target values. Some of them (especially those concerning financial objectives) are set by the head office, whereas others – by division managers.

Managers select the objectives and indicators based on their experiences from earlier years, fitting them into the adopted annual objective. They are based only on the information from within the company. The objectives are ultimately accepted by the president. In the event these objectives are not accepted, refusal to accept them is explained and an attempt is made to select other indicators.

The list of indicators is contained in the document titled “Performance evaluation”. This is one of the elements of the motivational system adopted by Company B, which, combined with management via objectives, constitutes the basis for determining annual bonuses. This solution is also sometimes called ‘payment by results’, which shall be commented upon further. From this set, managers select the indicators that fit best their divisions, taking into account their annual financial objectives. For example, the production manager’s indicator can apply to the achievement of the expected level of exports, whereas the process engineers – the cost level of faulty items.

Deployment of objectives

Based on selected performance indicators, managers define plans of action and submit them to the president for approval. The manager, in the process of determining the indicator levels (and simultaneously the target), takes into account the opinions of his own subordinates, suggesting appropriate values based on the analyses of results achieved to date. Co-ordinations of this kind are not formalized. The final decision as regards the indicators is made by the division manager. The formulated goals and performance indicators should ensure a certain level of efficiency, but in some cases, higher target values are acceptable related to a new situation, such as the implementation of a newly developed product. All the targets agreed upon within the divisions are recorded in forms developed by their staff and passed on to the president. At the meeting with managers, the president approves individual targets. Finally, the approved targets become the focus of activities geared at achieving them.

The choice of the manner in which the manager co-ordinates objectives and indicators is left at his discretion. Usually, the proposed goals are e-mailed to workers, and they are subsequently discussed at meetings devoted to the review of the quality management system. Consequently, the range of the utilization of staff opinion varies: some managers treat them as the source of information about the situation inside the organization, whereas other encourage them to be more involved in defining the objectives. In general, Company B formulates its objectives in a collective manner.

Performance check

Company B has a well-developed performance check system. From the strategic point of view, the most important are the monthly meetings of upper management with the president and representatives of the head office via videoconferences. Every manager reports on what has been achieved as regards a specific target and explains the present state of affairs. In the wake of such a meeting, the annual objective can be adjusted due to the existing situation, though, as a rule, it does not happen often. Usually, the company attempts to uphold the adopted annual objectives despite the risk of not achieving them.

Additionally, a meeting is held once a month devoted to analyzing the costs of faulty items attended by all the managers and representatives of individual divisions (foremen, team leaders). The meeting is devoted not only to reporting, but is also to analysis. Annual objectives are discussed and ways to improve the situation or solve problems are sought. This means that the performance check component involves an element related to corrective action.

The costing of faulty items is linked with the adopted method of problem solving. It starts with Pareto analysis, which constitutes the basis for selecting root causes for further analysis performed using a relationship diagram.

A global performance review occurs twice a year. Then the achievements of qualitative and financial objectives of a strategic character are combined. Such a timeframe results from the integrated management system based on ISO 9000 and 14000 standards adopted by the company.

A final performance evaluation occurs at the end of each turnover year (end of March). This review is attended by upper-level managers with its results influencing the volume of bonuses.

This form of control is supplemented by daily management visits to the division, which may refer to the idea of 'management by walking around'.

Additionally, Company B used to have yet another element of control, which has been suspended at present due to the financial crisis. The presentation of performance and strategies for the future, including a discussion, was held in the presence of representatives of management from the Japanese head office, who talked with selected workers from all levels. This kind of review took place once a year, usually at the weekend, outside the workplace.

Corrective actions

The corrective action plan derives from the results of completed control activities (daily and monthly). An essential supplement to the meetings of senior executives and management system reviews is constituted by daily operational meetings at which current problems are analyzed. The manager with his staff evaluates what has been done so far and what the problems are, and, although they usually are operational character, still they offer an opportunity to modify the targets or propose new ones.

Likewise, test sessions with the key customer are also held every day. Their scope and procedure is similar to that presented above.

One should also mention the individual improvement program implemented by Company B. It consists in improvements being suggested by individual workers, whose activity in this respect is taken into account in their annual performance appraisals, which constitutes the basis for salary rises. The proposed solutions are mainly of an operational (technical) nature and are related to the tasks performed at the worksite (e.g. in the area of ecology, ergonomics, etc.). The notification occurs by means of a special form in which the worker presents the current situation, explains what should be changed, the impact of the solution, etc. This solution is similar to linking the *kaizen* principle at the level of the worksite (so-called *quick kaizen*) and the system of workers' suggestions. Suggestions for improvement filed by workers proposals are evaluated. If the results are positive (i.e. the improvement can be beneficial to the company), the solutions are implemented.

The achievement of adopted targets is linked with remuneration. In literature, this is called 'payment by results', but it is not typical of the Japanese version of the method, in which an attempt is made to separate the evaluation and the ensuing remuneration level.

A general model of Hoshin Kanri at Company B

In the light of our research, Hoshin Kanri appears to be an integral component of the quality management system based on standards ISO 9000 series. Individual phases characteristic of this method are built into the general management structure, which causes the blurring of the boundaries between it and the system that results from these standards. At the same time, this permits us to conclude that Hoshin Kanri is integrated with such system, which is best expressed by the fact that the formulation of policy of quality (sic!) is mandatory. The term 'policy' may be considered as not so distant an echo of the English translation of the Japanese word *hoshin*.

Opportunities for an independent formulation of objectives by the Polish subsidiary of the company are limited because of its subordination to the company's pan-European strategy. The company studied adjusts its own actions to the objectives set, most often in the area of quality.

The deployment of objectives and designation of activities occurs in a collective manner subject to final approval by top management. Strongly developed is the control mechanisms operating in different time frames based both on the adopted system of monthly reporting and guidelines for organizational management are resulting from the ISO 9000 standard.

4.3. The model of Hoshin Kanri at Company C

Setting strategic objectives

Strategic objectives for Company C are formulated in the Japanese corporate head office. The adjustment to the specifics of the European market occurs at the Brussels

head office. Top managements of individual divisions, including Poland, have no the influence on globally established objectives, but can modify them drawing on their knowledge of economic realities in Europe. The objectives, once set and approved during visits in Brussels, are directed for implementation in local divisions. Therefore it can be said that the objectives for individual divisions are imposed, because workers do not participate in their formulation. Only the Japanese president of the domestic department can influence them at head office meetings.

Such an approach causes that sometimes programs for implementation that originate abroad are not compatible with requirements of the Polish law. This entails an adaptation of the documentation that defines the operation of management systems.

Strategic objectives complete with a timeframe set by the head office underlie the preparation of specific business targets for individual divisions, which, at the same time, initiates the implementation of Hoshin Kanri at the division level.

Details of setting objectives targets for the division constitute the responsibility of the process leader, who discusses them both with the workers and with the president, who has the casting vote. The objectives are defined once a year, however, depending on the needs resulting from changes in the environment, they can be supplemented with new ones. Business objectives are accompanied by objectives resulting from the implementation of the policies concerning quality and the environment, where the Company C staff enjoys a greater freedom. Some workers do not perceive opportunities for submitting their own objectives, whereas other treats it as their duty. The discussions of objectives with workers begin a separate phase of Hoshin Kanri.

Deployment of objectives

On receipt of objectives to be achieved, the manager adjusts them to the specifics of his division, but can also propose his own objectives for the president's approval. The manager sets the deadlines for the preparation of plans of action and the timeframe of action as well as general tasks to be executed. The manager has a week to prepare an outline of deployment of objectives. It should be underscored that when formulating the objectives, the manager does not perform it from his personal point of view, but the division for which he is responsible.

Then the manager conveys these objectives to his staff (middle management) who have seven days to come up with feedback concerning possible changes, but first of all, to set their own objectives. Possibilities to change certain elements of strategic objectives conveyed from the head office are limited (e.g. the deadlines), but the way the tasks are accomplished remains at the discretion of staff of individual divisions acting on the basis of their superiors' guidelines.

Consequently, in this phase the objectives are translated into targets for lower management levels and mark the points at which more detailed implementation occurs, which constitutes part of the general management system consistent with Hoshin Kanri.

This deployment of objectives and their achievement by lower level staff is called at Company C ‘management by objectives’ (MBO).

What is interesting is that MBO is treated by the company not so much as a comprehensive and general method, but as a detailed one, involving individual staff members. What is also interesting is the translation of Hoshin Kanri into Polish at Company C, which is tantamount to ‘management by objectives’ (sic!). Such terminology may cause confusion, but in the enterprise studied, the meanings of Hoshin Kanri and MBO are clearly perceived as distinct. MBO translates directly from Japanese as *mokuhyou kanri seido*, which literally means a ‘system for managing objectives’.

The former refers to managing objectives across the entire organization, while the latter – to the achievement of goals of individual staff members that constitutes both a portion of Hoshin Kanri and, at the same time, its integral part. What makes them different is their level in the hierarchy of goals in question.

Accordingly, this phase marks the coupling between Hoshin Kanri and MBO. The latter constitutes a mechanism for detailed accomplishment of goals and, as jointly executed by individual staff members, combines to form the general shape of Hoshin Kanri. During the interviews, it was graphically represented in the following way: “The pyramid must consist of inputs of individuals”.

MBO at Company C uses evaluation forms and competencies assessment forms. The implementation of MBO at Company C in the shape described below took place in 2007 and consisted in the training of company managers by the human resources staff from the head office in the way the method should be applied, which was then conveyed by managers to their subordinates.

Performance check

Performance checks occur twice a year and are combined with management system reviews. The first one occurs in September, apart from evaluating the results (an *ex post* evaluation) to make it possible to design corrective actions as needed for the subsequent six-month period. The six-month evaluation constitutes a general recapitulation of company activity, whereas the final performance review takes place in February–March³ and concerns the extent to which annual objectives have been achieved.

However, ongoing checks takes place on a monthly basis and involves formalized reports. As part of the MBO method, individually prepared managerial reports, usually focusing on financial matters, are submitted to superiors, which enable them to be well-informed and ready to act. Their presentation is the responsibility of relevant managers or individuals appointed by them. It is at those monthly meetings that proposals of supplementary goals resulting from ongoing needs related to business activity can be made.

The company employs no uniform report forms. Each division has its own standards of reporting performance, which results from the specifics of their activities.

³ Company C’s financial year starts in April.

The level of detail of individual reports varies by division manager and his management style. Some require very detailed reports, which also contain a diagnosis and an analysis of performance (e.g. in the form of complete answers to the question ‘why?’ asked five times), whereas others require only a synthetic presentation of results. Sometimes, during the execution of certain tasks and as new ones begin, reports are compiled with a certain delay, which causes problems in the retracing of actually undertaken actions.

Such a reporting system is called *hōrensō*, which is an acronym of Japanese words *hōkoku* – meaning report, *renraku* – contact, and *sodan* – consultation⁴. J. K. Liker (2005: 356) describes this technique as the way to “obtain information and communicate feedback and suggestions” that consists in a daily reporting by workers to their superiors. It should be added that Company C also utilizes horizontal transmission of information (Japanese *yokoten*). J. Miller (2007) defines *yokoten* as the total sum of copies and *kaizen*, which means the copying of effective solutions developed in the process of *kaizen*. It is pursued in an arrangement that is interfunctional, horizontal, and does not require the observation of formal hierarchical communication. Interestingly, traditional forms of communication during the description of Hoshin Kanri, such as *ringi* (*ringi-seido*), *catchball*, and the accompanying *nemawashi*, are not utilized by the company.

The company emphasizes the importance of visualization of results, which impacts on the auxiliary methods applied. Usually, relationship diagrams are used to that effect, as are line charts, histograms and bar charts contained within a report on A3 sheet of paper. The extent to which visualization is employed depends on the preferences of division manager.

Corrective actions

Reports contribute to the evaluation of performance, which forms the basis for possible corrective actions. Once it has been ascertained that a goal has not been achieved, the president decides to implement such a course of action. Upward communication of information permits the top managers to find out about such problems before the president does. Therefore, they can ask for explanations of reasons why a given goal has not been achieved. These analyses can vary in their level of detail. If they result in a suggestion to change the goal, a decision to that effect is made by the president. If the president does not agree, the manager is obliged to undertake appropriate corrective actions in the course of the subsequent month.

Such a decision also depends on the significance of a given goal for the operation of the entire organization. If the goal is related to the execution of tasks at a certain unvarying level, its non-achievement causes no negative consequences and business continues as usual. However, in the case of high-priority organizational goals, corrective actions are undertaken without delay.

⁴ The Polish edition of J. K. Liker’s book (2005: 356) contains a different transcription of *hourensou*, with individual Japanese words being spelled together with the following translations: *hou koku* – to present a report, *renraku* – present updated information, and *sou dan* – advise / consult.

On the other hand, if the goal has been achieved, the president recognizes the fact by publicizing information to that effect in the company newsletter and offers the opportunity to obtain the corporate award.

In 2009, the company decided to introduce a motivational performance-related system. When making decisions regarding human resources in which the behaviors and attitudes staff is taken into account, their efficiency in accomplishing goals will also be taken into consideration.

A general model of Hoshin Kanri at Company C

Individual phases of the process have been laid out against the PDCA cycle phases. What clearly differentiates the Hoshin Kanri variant applied at Company C is less prominence accorded to planning. This results from the place of the division in the overall corporate structure. The phase of deployment of objectives has more to do with co-ordination and explanation. However, the check phase, applied first of all in compliance with the MBO method, usually involves the actual accomplishment of goals by individual staff members. Checking also involves reporting, which constitutes the basis for appropriate decisions concerning goals for the subsequent period of operation.

5. A meta-model of Hoshin Kanri in Japanese enterprises in Poland

The four phases of the model universally apply to all variants of Hoshin Kanri. They also correspond to individual stages of the PDCA cycle, which permits their comparison with models proposed by international authors.

In the light of the three case studies presented above, their variants of Hoshin Kanri can be characterized as follows.

Subsidiaries of Japanese enterprises operating in Poland have limited opportunity to influence their strategic objectives. The president of the subsidiary may consult with the company's European head office, but the participation of staff in the shaping of the global strategy to the extent seen in international models is very limited. Consequently, the respondents, when describing objectives, often used the word 'imposed'. This applies first of all to business and financial objectives. They enjoy a greater freedom in setting supporting goals, mainly those related to the issues of quality. The participation of staff and managers in suggesting such goals varies by enterprise. Nonetheless, the annual objectives are the resultant of these of two kinds of goals, with corporate goals being the dominant ones.

The extent of consultation and goal setting also varies. Based on the interviews, this usually occurs along the president–division managers' line. Consultations with lower management (e.g. within divisions) depend on individual management styles. As a result of these consultations, the list of goals, which underlies actions, is produced.

The next, check phase, occurs at four levels, with three of them judged to be the most important for Hoshin Kanri: monthly, semiannual and annual ones. Daily checks

constitute part of operational management. Monthly checks are more important for the accomplishment of strategic objectives, because in this phase references are made both to the current situation and the strategic objectives. Semiannual and annual checks are linked with the ISO 9000 quality management standard implemented by every enterprise. This causes that Hoshin Kanri is built into this mechanism, and often not perceived as a separate part. The semiannual and annual evaluations not only concern retrospective evaluations of adopted annual objectives, but also serve as the basis for organizational learning, which, with previous year's results and experiences as input, permits the company to undertake corrective actions. They, in turn, find their final reflection in the objectives set for the following year.

Exceptional achievements in the accomplishment of objectives, especially those set in subsidiaries of the company, are communicated to corporate head offices and can become benchmarks for other subsidiaries in the network. In this indirect way, the staff of the Polish subsidiary may influence the goals of the entire corporation.

Such a synthetic model is shown in Fig. 1. The content of individual phases has been shown against the phases of the PDCA cycle, which lets us more clearly perceive the links among these cycles that appear at different management levels. In this way, a nested system of loops is created, forming a transmission belt of sorts, an arrangement of cogwheels that communicate general strategic formulations to the level of operational management.

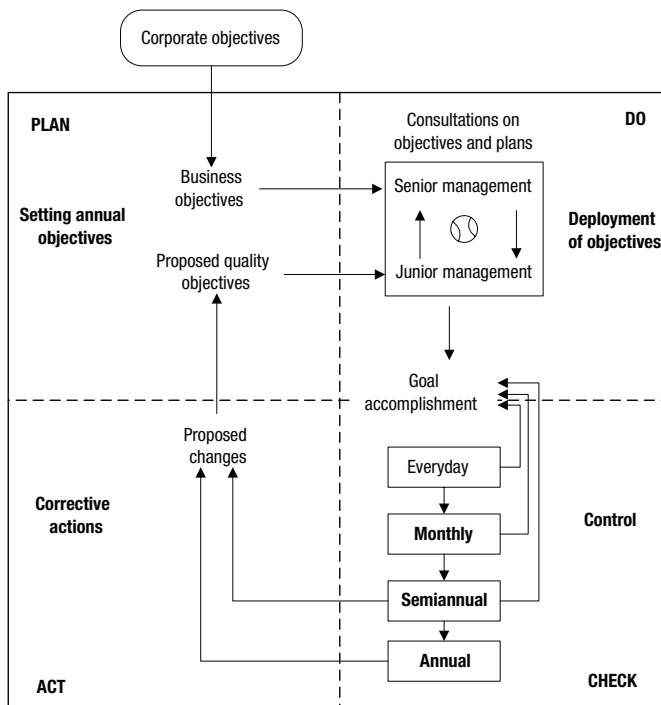


Fig. 1. The meta-model of Hoshin Kanri in Poland (Source: authors' own research)

The above view can also be presented graphically in a different way, with more emphasis on the influence on the part of the head office on the setting of objectives and emphasizing the role of checks based on the PDCA cycle. At the level of daily and monthly checks, respondents mentioned the problem-solving process that in general complies with the PDCA cycle.

6. Conclusions

Despite the limited extent of formalization and certain simplifications with respect to the classical Hoshin Kanri model, one may clearly perceive the Polish model of this method is crystallizing, whose fundamental principles are adjusted to the business conditions in Poland.

In comparison with the models described in international literature, the following differences appear to be of primary importance:

1. Limited staff participation in the formulation of company vision and mission.
2. Proposals of annual objectives that supplement corporate objectives.
3. Consultations regarding objectives and action plans occurs mainly along the line president–division managers.
4. The dominant mode of reviewing the achievement of strategic objectives is monthly and semiannual.
5. The linkage of the Hoshin Kanri mechanism with the quality management system based on the ISO 9000 standard.

The limited staff contribution to the formulation of company mission and vision stems from the fact that all three enterprises studied are subsidiaries of large global corporations with head offices outside Poland. Strategies in this type of organizations are formulated at the level of the head office; as a result the staff employed outside does not have a significant impact on the process of strategy formulation (at corporate level).

In the companies studied, staff participation in the process of formulating annual objectives is usually limited to proposals in such areas as quality, industrial safety or environmental care. They usually complement the objectives imposed by the head office.

Consultations regarding objectives usually occur between the presidents and division managers owing to the mechanism of cascading objectives adopted by the organizations. The president constitutes a link between the head office and the Polish subsidiary of the company. The president brings the objectives from the head office to be accomplished by the Polish subsidiary and communicates them to division managers. These objectives are then discussed and the best ways to accomplish them are worked out.

The timeframe in which the accomplishment of strategic objectives is done in Poland stems from two premises. On the one hand, this derives from a certain tradition rooted in domestic enterprises of monthly meetings devoted to reporting and analyzing adopted business objectives in the form of briefings. On the other hand, it is a consequence of

formalized quality management systems adopted by companies. Such systems require semiannual evaluations.

Integrated management systems used by the companies (developed based on families of ISO 9000, 14000, 18000 standards) help to implementing Hoshin Kanri by meeting certain requirements connected with the stages of plan, act and check.

References

- Akao, Y. (Ed.). 1991. *Hoshin Kanri: Policy deployment for successful TQM*. Cambridge, MA: Productivity Press.
- Babich, P. 1998. *Hoshin Handbook*. Poway, CA: Total Quality Engineering.
- Hutchins, D. 2008. *Hoshin Kanri. The Strategic Approach to Continuous Improvement*. Hampshire: Gover.
- Jackson, T. L. 2006. *Hoshin Kanri for the Lean Enterprise. Developing Competitive Capabilities and Managing Profit*. New York: Productivity Press.
- Jolayemi, J. K. 2008. Hoshin Kanri and hoshin process: a review and literature survey, *Total Quality Management* 19(3): 295–320. doi:10.1080/14783360701601868
- Kaziliunas, A. 2008. Problems of auditing using quality management systems for sustainable development of organizations, *Technological and Economic Development of Economy* 14(1): 64–75. doi:10.3846/2029-0187.2008.14.64-75
- Kazlauskaitė, R.; Buciuniene, I. 2008. The Role of Human Resources and Their Management in the Establishment of Sustainable Competitive Advantage, *Inzinerine Ekonomika – Engineering Economics* (5): 78–84.
- King, B. 1989. *Hoshin Planning: the Development Approach*. Methuen, MA: Goal/QPC.
- Liker, J. K. 2005. *Droga Toyoty. 14 zasad zarządzania wiodącej firmy produkcyjnej świata*. Warszawa: MT Biznes.
- Martyniak, Z. 1998. Hoshin – japońska metoda zarządzania, *Organizacja i Kierowanie* 4: 27–35.
- Martyniak, Z. 1999. Założenia japońskiej metody zarządzania HOSHIN, in Haffer, M.; Sudoł, S. (Eds.). *Przedsiębiorstwo wobec wyzwań przyszłości*. Toruń: Wyd. Uniwersytetu Mikołaja Kopernika.
- Miller, J. 2007. *Management by FACTS, Gemba Panta Rei*. November 12 [online], [accessed 27 September 2010]. Available from Internet: <<http://www.gembapantarei.com/2007/11/facts.html>>.
- Nita, B. 2008. Transformation of Management Accounting: from Management Control to Performance Management, *Transformations in Business and Economics* 7(3): 53–64.
- Ogrea, C.; Herciu, M.; Belascu, L. 2008. Searching for new paradigms in a globalized world: business ethics as a management strategy, *Journal of Business Economics and Management* 9(2): 161–165. doi:10.3846/1611-1699.2008.9.161-165
- Shiba, S. 1995. *Le Management par Percée: Méthode Hoshin*. Paris: Insep editions.
- Witcher, B. 2002. Hoshin Kanri: a study of practice in the UK, *Managerial Auditing Journal* 17(7): 390–396. doi:10.1108/02686900210437499
- Witcher, B. 2003. Policy Management of Strategy (Hoshin Kanri), *Strategic Change* 12: 83–94. doi:10.1002/jsc.617
- Witcher, B.; Butterworth, R. 1997. Hoshin Kanri: a preliminary overview, *Total Quality Management* 8(2–3): 319–323.

Witcher, B.; Butterworth, R. 1999. Hoshin Kanri: How Xerox Manages, *Long Ranger Planning* 32(3): 323–332. doi:10.1016/S0024-6301(99)00036-9

Witcher, B.; Butterworth, R. 2000. Hoshin Kanri at Hewlett-Packard, *Journal of General Management* 25(4): 70–85.

Witcher, B.; Butterworth, R. 2001a. Hoshin Kanri: Policy Management in Japanese-owned UK Subsidiaries, *Journal of Management Studies* 38(5): 651–674. doi:10.1111/1467-6486.00253

Witcher, B.; Butterworth, R. 2001b. Realising the Vision: Translating Strategy into Action through Policy Management, *Journal of the Institution of British Telecommunications Engineers* Part 3(August) [online], [accessed 27 September 2010]. Available from Internet: <<http://www.hoshin-kanri.co.uk/downloads/papers/2001b.pdf>>.

Wood, G. R.; Munshi, K. F. 1991. Hoshin Kanri: a systematic approach to breakthrough improvement, *Total Quality Management* 2(3): 213–226. doi:10.1080/09544129100000026

HOSHIN KANRI: LENKIJOJE ĮSIKŪRUSIŲ JAPONIJOS ANTRINIŲ ĮMONIŲ VALDYMO POLITIKA

M. Ćwiklicki, H. Obora

Santrauka

Šiame straipsnyje pateikiami rezultatai, gauti iš tyrimo projekto – Hoshin Kanri Lenkijos modelio, parengto Lenkijoje veikiančių Japonijos antrinių įmonių pavyzdžiu. Straipsnis pradedamas pagrindinių modelių literatūros analize, toliau pateikiami projekto rezultatai, kurie buvo nustatyti remiantis kiekybiniais moksliniais tyrimais, atliktais daugiau nei 50 tokio tipo įmonių. Pagrindinis dėmesys skiriamas Japonijos valdymo metodams praktiškai pritaikyti ir diegti. Analizė sudarė prielaidas išplėtoti Lenkijoje veikiančių tipinių Japonijos įmonių metamodelio metodą.

Reikšminiai žodžiai: Hoshin Kanri, valdymo politika, strategija, visuotinės kokybės vadyba.

Marek ĆWIKLICKI is an associate professor at the Department of Organisation and Management Methods, Cracow University of Economics (Poland). His areas of interest are the methodology of management science, evolution, adaptation, development and implementation of contemporary management concepts and methods / tools. He has published over 130 papers on various organisation and management theory topics. He also works as a trainer and consultant for profit and non-profit organisations.

Hubert OBORA is an associate professor at the Department of Organisation and Management Methods, Cracow University of Economics (Poland). His areas of interest are Total Quality Management, TQM methods and economics of information. He also works as a trainer and consultant in the field of Total Quality Management and Technology Management.