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Hoshin and the Pittsburgh Symphony

by

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Hoshin and the Pittsburgh Symphony

The Pittsburgh Symphony Orchestra (PSO) faced the reality of a rapidly declining operating reserve by drawing upon the leadership and expertise of a local manufacturing organization, a company well known for its use of total quality management concepts, to undertake a new approach to strategic planning.

Hoshin

Author Gideon Toeplitz, executive vice president and managing director of the PSO details the genesis and evolution of the orchestra's use of the Hoshin planning process. Hoshin—literally “shining metal”—is a planning technique developed in Japan. As Toeplitz explains, over a period of many months, the PSO used this process not only to address a specific goal, but also to draw together musicians, board members, volunteers, and staff.

Acceptance of the process was not without obstacles, but as readers will learn, the Pittsburgh participants were agreed that they did not want to continue with the “old ways.” In an intriguing display of determination, members of the four constituencies did achieve breakthroughs in addressing their special challenge, and in building relationships among people.

Other Voices

Following the Toeplitz essay, a board member, a musician, and an active volunteer share their thoughts about Hoshin. Readers will learn that the Hoshin planning process involved enormous commitments of time, and equally large leaps of faith.

Our exploration of the PSO's use of Hoshin concludes with observations from Bob Stearns, director of organizational development for Medrad, Inc., and “outside point man” in the symphony's ongoing use of this planning process.

Hoshin and the Pittsburgh Symphony

During the spring of 1993, the Pittsburgh Symphony embarked on a new long-range plan which was the foundation for a major capital gift from the Howard Heinz Endowments and the basis for a new capital campaign of \$70 million. This plan, later known as the 1993 business plan, forced the Pittsburgh Symphony to commit itself to reducing its draw on endowment from the unhealthy double-digit level to below 6.5 percent by the year 2000. The capital campaign relatively quickly raised \$50 million, but most of the funds came in forms of deferred giving and bequests. Such gifts, while very important, do not enter the investment portfolio until they are actually received. An operating reserve was created to bridge the gap between a 6.5 percent draw on the endowment and the actual level needed to sustain operations. In early 1997, we realized that unless something changed, the operating reserve would be depleted by the year 2000.

It was under these circumstances that a task force of board members, musicians, and staff was formed early in 1997 to review a revised business plan. This plan called for a cash infusion of \$6 million to the endowment by December 1999, as well as an addition of \$4 million into the operating reserve to take us through the interim period. During this review, the musicians were told that this plan would not successfully accommodate a new trade agreement acceptable to them, but that there was no other choice.

One of the members of the business plan task force was Tom Witmer, CEO of Medrad, Inc., a medical products manufacturer headquartered in the suburbs of Pittsburgh. Medrad had won many awards for its approach to total quality management and, in particular, its use of a Japanese method called "Hoshin." Hoshin, in Japanese, means "shiny needle," like a needle of a compass which gives direction and focus. The Hoshin process fosters breakthrough strategic planning, using a collection of process tools which empower everyone involved

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Tom asked me to have lunch in the spring of 1997, at which point he described to me the Hoshin method and asked whether I would be interested in sharing this method with other constituencies of the Pittsburgh Symphony. He believed that the Pittsburgh Symphony had done an excellent job of cutting costs and building efficiencies, while simultaneously maintaining world-class artistic excellence, but that now was the time to focus on investing in growth, and to do so by drawing out the best from all constituencies. At my encouragement, he met separately with both the senior management team and members of the orchestra committee, describing to them the Hoshin process. These meetings set the groundwork for a two-day retreat over the Labor Day weekend of 1997.

Learning the Hoshin Process

During this retreat, attended by approximately 30 musicians, board members, volunteers, and staff (the “four constituencies”), and with the help of Bob Stearns, director of organizational development for Medrad, we all learned more about and began implementing the Hoshin planning method. The essence of the Hoshin method is the idea that “if you continue to do business in the same old ways, and the results are not satisfactory, the results will not get any better without changing what you do.” We learned that Hoshin is a “catchball” process of aligning priorities, solutions, action plans, and results throughout the organization. It is a system for generating ideas, deploying the ideas, and auditing their progress. It is a process which uses specific tools to forge individual ideas into consensus decisions. Everyone who can contribute is involved.

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All the retreat participants agreed that the Pittsburgh Symphony must do certain things differently in order to accomplish the goals of the 1997 business plan and

also offer the musicians a contract more in line with their expectations. Our problems were primarily in the earned revenue area. We needed to make tremendous progress in this area in order to be financially solid in the long term. And we needed to find ways for the entire organization of the four constituencies to work together more actively and enthusiastically in pursuing common goals. In short, there was a reservoir of largely untapped human resource potential. We agreed that everything can be changed, including product, presentation, marketing, and communication.

We started the process by generating ideas and directions, and developing an organizational vision, using Hoshin techniques, which turned out as follows:

It is now the end of the 2000-2001 season and the musicians, board, volunteers, and staff are working as partners. We have successfully

increased the performance revenue to \$5 million above the 1997 Business Plan's projections. All four groups are satisfied with the overall operation of the organization. What specific actions have we taken to accomplish this goal?

During the two-day retreat, we used an incredible number of yellow stickers which represented the ideas of all individuals who participated in the process. We used an "affinity diagram" to collect participants' ideas, to categorize (affinitize) them, and to reach consensus on major themes. We used a SWOT (strengths, weaknesses, opportunities, and threats) analysis, and later identified key drivers and best opportunities, through the use of two tools that are referred to in the Hoshin method as a "radar chart" and an "interrelationship digraph." We developed criteria to choose Hoshin programs on which the organization should focus. Through a "criteria rating matrix," we judged impact, revenue goals, return on investment, and achievability. We ended the two days with action planning, involving the formation of teams to investigate initiatives, each team consisting of representatives of all four constituencies—board, volunteers, orchestra, and staff. We also determined what information and data each team would need. We clarified the objectives for each team, and defined targets and means of attainment.

"None of us was prepared for the new relationships the Hoshin process required."

Hoshin Teams were established to pursue the following four program groupings or objectives (each supported by 20 to 30 ideas from their respective affinity groups which were stated using Hoshin techniques):

- ◆ We develop new programs for targeted markets.
- ◆ We become leaders in education, enabled by innovation and technology.
- ◆ We increase ticket sales with innovative strategies (for our existing musical programs).
- ◆ We have cooperation and trust among all four groups: board, volunteers, orchestra, and staff.

The two-day retreat was a mixed experience. None of us was prepared for the new relationships the Hoshin process required. Symphonies are usually conservative institutions, with a great deal of resistance to change, in process or product. The issue of "authority versus responsibility" was a major undercurrent. Some of us were willing to empower others and to share authority, but with the understanding that responsibility should also be shared. Some were suspicious that the Hoshin process would give the union a vehicle to bypass management. There was also concern about whether people who did not participate in the first retreat would come on board. Despite these concerns, the retreat ended on a high note with great optimism about a better future for the institution.

Four weeks later, we invited all constituencies to meet on the Heinz Hall stage, so that everyone could be briefed about the Hoshin process and have the opportunity to volunteer for one of the four task forces. More than 130 people representing all four constituencies attended the presentation, and many volunteered to serve on the task forces. The atmosphere was extremely positive and we all knew that we were on the right track. The Hoshin process was working. So far, so good.

Obstacles and Breakthroughs

However, we soon encountered significant problems. Symphony orchestras are used to doing business in certain ways which affect the relationships among the four constituencies (as well as the music director, who is probably a fifth constituency by himself). Trust is not a word commonly used to describe relationships among symphony orchestra constituencies because, traditionally, there has been little trust to be found. We discovered that as an institution, we were not prepared for such major changes, which included empowerment, giving authority and taking responsibility, complete openness, consensus conclusions, and a whole different set of relationships. Many issues seemed to surface during the first two or three months of the Hoshin process. There were emotional meetings, ruffled feathers, and a few times when we didn't think this process could proceed. However, as each team slowly made progress toward its objective, those issues receded. We wanted to see results which would overcome the difficulties. And no one wanted to return to the prior ways of operating—compartmentalized, unempowered, weak communications, and a lack of trust and cooperation.

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Hoshin Team #1:

We Develop New Programs for Targeted Markets

This team began dealing with a whole different approach to programming. Our industry traditionally lets the music director (sometimes with the assistance of the managing director or the artistic administrator) create programs for the public. These programs are generally guided by the music director's personal wishes, or his or her opinion of what the public, as a whole, wants. Our challenge was to examine the marketplace first and then create programs which will better satisfy the marketplace—in particular, the missing generation of the 30- to 45-year-olds. We embarked on an in-depth marketing study which eventually identified three target segments that were then researched for their aspirations, and for what it would take to get them to come to a symphony concert.

Hoshin Team #1 consisted of eight people (music director, managing director, vice president for marketing and sales, artistic administrator, two musicians, and two board members) who met every other Saturday for weeks and weeks to examine data and come up with ideas. I might add that our music director, Mariss Jansons, was an active member of this team. He found the Hoshin process very compatible with his own philosophy of inclusiveness. Following one of our Saturday meetings, he commented, "I have always valued insight from others and now we have a mechanism to give people a voice."

As a result of this team's work, we will launch during the 1998-1999 season a new series of three concerts called "Soundbytes." This series was derived from our research data and discussions. The series will present a more visual product, entertaining and informational, combined with social events, but in keeping with our artistic integrity and with the motto of "quality above all." The actual presentation has been outsourced to a team headed by the chair of the Carnegie Mellon University School of Drama, one of the best drama schools in the country. Promotion for the series has just begun and we hope to achieve 80 percent of capacity during the first year.

Hoshin Team #1 then moved on to a more long-term project called "The Restructuring of the Season." The market data showed us that the missing generation of audiences would not make a commitment for an entire season eight months before that season's start, primarily because of their lifestyles which are very different from those of our current, somewhat older, audience. We are now sketching a new season platform which will allow potential concertgoers to look at a season from different vantage points, without hurting or antagonizing our current audience.

Hoshin Team #2:

We Have Become Leaders in Education, Enabled by Innovation and Technology

Five people were selected to serve on this team (two musicians, one staff member, one volunteer, and one board member). At this point, we began to see a need for financial resources to enable the teams to move forward. In November 1997, I reviewed the Hoshin programs with the executive committee and later with the board of directors. I explained the Hoshin process and what it would mean to the Pittsburgh Symphony in the long term, and asked for a special allocation of \$250,000 for the 1997-1998 fiscal year (then in progress) in order to move forward. The board approved this request without hesitation, and one board member said, "Finally, we take our foot off the brakes and put it on the gas pedal."

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Hoshin Team #2 took an office in a downtown building, and for the next five months spent almost full time interviewing experts from around the country, and creating possible scenarios. This team concluded its first phase in May 1998, and made a series of entrepreneurial recommendations to the board. Those recommendations are being evaluated for funding in the upcoming fiscal year.

Hoshin Team #3:

We Increase Ticket Sales with Innovative Strategies

This team very quickly came to the conclusion that we needed more face-to-face ticket sales, which in the long term will take over from the past successful telemarketing efforts, now in decline. The board's special financial allocation allowed us to hire three new people in the spring of 1998 to begin further face-to-face sales, particularly in the medical and educational communities.

Hoshin Team #4:

We Have Trust and Cooperation Among the Four Groups

This team arguably had the most difficult task of all. The results of this group's efforts were destined to dictate not only the future of Hoshin in our organization, but also, in my opinion, the future of the entire organization. The team decided to create a questionnaire which was sent to the entire orchestra, board, staff, and a sample of some 600 volunteers. Many of these constituents were subsequently interviewed in person or by phone, while others were asked to complete and return the questionnaires. The questionnaire was designed to gather as much data as possible about the constituencies' positive experiences with the Pittsburgh Symphony, and then to build from the positive input. It took 10 weeks to complete this phase. Based on the information they had gathered, the team decided to focus on the following areas to build trust and cooperation among the four constituency groups:

- ◆ Teamwork and shared goals.
- ◆ Relationships through more frequent interaction.
- ◆ Broad-based, effective communication.
- ◆ Empowerment through participation.

An Ongoing Process

Members of all constituencies received the results of this study in early May 1998. Subsequently, I developed and presented to the members of the Hoshin project a plan that addressed change in our management leadership and communications processes, requesting their discussion and feedback. Through this plan, we made a commitment to change, during the next six months, in the four identified areas, and asked that Hoshin Team #4 define similar initiatives for the other three constituencies.

Fred Zenone, a member of the Institute Board of Directors, was invited to observe a Hoshin planning meeting held among Pittsburgh Symphony Orchestra participants on March 11, 1998. The meeting involved 24 participants, began at 5:30 p.m., and lasted three hours. The agenda was to receive and discuss reports from the four Hoshin Teams. With Fred's permission, we quote from the notes he made of his observations.

- ◆ The preparation for the meeting was serious. The reports were long and extensively prepared.
- ◆ I have never seen, nor have I heard of, this degree of total organizational participation in the planning process of a major symphony organization.
- ◆ The level of communication and cooperation was delightful.
- ◆ The meeting was remarkable—not only for the evidence of total organizational participation, but also for the spirit of cooperation and sharing.
- ◆ All constituencies participated—from the stage manager to key members of the board. Some of the player participants have never before come forward to participate in any planning or representation responsibility. Their participation provided a cross-section of player representation not seen before, and it was clear that they had been actively solicited by the current orchestra leaders.
- ◆ The sharing of ideas across constituent groups, and the feeling of shared responsibility, was remarkable.
- ◆ In the proceedings, there was no deference to hierarchy, but there was a good understanding of which responsibilities belong with which positions.
- ◆ These participants believed in what they were doing.

This is work in progress. There have been many obstacles and there will be many more. But, it is now safe to say that our recent five-year agreement with the musicians would not have been such a constructive process, with an early conclusion, and a very amicable atmosphere, without having gone together through the journey of the Hoshin process. It brought all constituencies closer together, and while we have a long way to go in implementing needed new programs, there is more feeling within the organization that everybody can contribute to the process and that everybody will be heard. There is no question that the Hoshin process does take time, particularly from those of us who are

already overworked. But the long-term potential results certainly justify the time we are investing.

We are enthusiastic about our future together as we harness the tremendous talent and energy present in all four groups when we focus on the same priorities. We have now requested a special supplemental budget authorization of \$500,000 to enable us to pursue these new, entrepreneurial growth initiatives in the 1998-1999 fiscal year. We will keep those who are interested informed regularly as to the progress of our Hoshin activity.

Gideon Toeplitz is executive vice president and managing director of the Pittsburgh Symphony Orchestra. He holds a B.A. from the Hebrew University in Jerusalem and an M.B.A. from the University of California at Los Angeles.

Other Voices

Because the intent of the Hoshin process is inclusive, the Institute asked several members of the Pittsburgh Symphony organization to add their comments.

Jim Wilkinson, Secretary/Treasurer, Pittsburgh Symphony Board of Directors

Having been involved in the Pittsburgh Symphony collective bargaining process for 20 years, I frankly was both excited and scared about the Hoshin process at the outset. Excited, because the process represented a unique opportunity to get the constituent groups together in an organized way to thrash through the future of the organization, and to increase each group's level of understanding of the problems, concerns, and perceptions of others. Scared, because I knew how much everyone, especially the musicians and the staff, wanted this process to succeed. If it blew apart for any reason, it would have been a significant setback to a process of increased communication and enhanced understanding that has marked the last four or five years for this organization.

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I cannot emphasize enough that this process is not for the faint of heart. In many organizations, an attempt to implement it could become a disaster. It is valuable to obtain the commitment of someone who is independent of the process—as in our situation, the people at Medrad—to help the participants learn to deal with the genuine anger and frustrations that occasionally arise, and there are several conditions the parties should candidly address at the outset.

Participants, including board members, need to commit that they will actively participate over an extended period, e.g., a one-year minimum. On occasion,

this commitment will be for full or half days at a time, including some weekends and vacation periods. I would estimate the average participant spent 50 hours at meetings during the year, and for some active participants, the involvement was hundreds of hours.

There needs to be a base upon which to build. Over the last decade or so, the orchestra committee has been led by some exceptional individuals who have seemingly bucked the industry trend toward increased confrontation with management, and constantly pushed to enhance musician involvement in the organization's day-to-day activities, whether in education and outreach, fundraising, or planning. With Gideon's arrival, the artificial barriers to interaction, especially between board members and musicians, which had existed historically were removed. So the Hoshin interaction among the various groups was not a breakthrough idea. While there are always issues of

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trust and misunderstandings to be confronted in any relationship, it is my sense that there were no preconceived alignments among constituent groups that created a “them versus us” mentality to be overcome. In fact, there were often differences within constituent groups, especially in setting priorities, since the emphasis was on individual ideas, stated and defended, not on group posturing. If participants make such comments as, “The musicians’ position is . . .” or “The board will never agree . . .,” the process will not go anywhere.

Symphony management must both fully support the process and have thick skin. Few symphony organizations are overstaffed, allowing them to freely commit extra staff time to make this process work. As a result, even though the workload can and should be shared among all the groups, this process will require a realignment of organizational priorities, since only staff has access to some of the information needed to develop certain ideas. Staff simply cannot be expected to do everything they normally do during the week and explore breakthrough ideas on weekends during this process.

Also, especially at the outset, the staff—fairly or not—is both buffeted with comments that question their competence, commitment, and understanding of the organization, and directly criticized in front of board members and volunteers for certain things that have or have not occurred. The participants need to fully appreciate this dynamic or the wheels can come off pretty early in the process. For the process to be successful, participants must be free to speak their minds, but it must be done professionally and in a restrained way that permits (or forces) staff to explain rather than to defend. Lastly, there should be no hierarchy of constituent groups or individuals. Ideas should be assessed on their merits, including arguments for or against, without concern for who put forth the idea or who argued which way.

Ronald Schneider, Chair, Pittsburgh Symphony Orchestra Committee

The 1993 business plan was “cast in stone” before the talks began to negotiate the 1994 to 1998 trade agreement. Both management and musicians were held captive to the plan. To avoid that situation again, Gideon involved representatives of the Pittsburgh Symphony Orchestra Committee in the business plan talks that were held in the spring of 1997. The committee met to decide if we should participate, as we could be seen as having being coopted. We wondered whether the sole purpose of our presence was to learn about The Pittsburgh Symphony’s precarious financial condition, and to prepare us for another wage freeze, or worse. Although we agreed to go forward, we remained concerned about the conclusion that the business plan, as presented, would not allow for a successful renegotiation of our trade agreement, which was due to expire at the end of

“I would like to emphasize two points: the tremendous importance of participation, and the need for consensus building.”

August 1998. While not fully understanding or agreeing with all of the numbers, we believed that Gideon’s experience with the bargaining process was sufficient for him to recognize when a settlement was unlikely. We knew we had a serious problem. At this point, Tom Witmer stated that if the plan would not allow for a settlement, the plan needed to be changed. Tom completely captured the attention of the musicians.

I would like to emphasize two points: the tremendous importance of participation, and the need for consensus building. A few years ago, a consultant visited our orchestra, made some recommendations, and left, with no changes ever being made. The bad taste still lingered that his attempt to make us feel better, without changing anything, had made things worse. It was analogous to one partner in a relationship seeing a counselor to learn how to tolerate the flaws in the other partner.

As a condition of our involvement in the Hoshin process, we wanted to have the board well represented by some of its senior members. To this end, we were extremely fortunate to have the full participation of Bob Kavanaugh, Jim Wilkinson, and Tom Witmer, all members of the executive committee. Their devotion, involvement, and generosity to the orchestra have been inspiring. The support by the board’s leadership was critical to any success we achieve.

As to consensus building, I know from my work with the orchestra committee that to have a “yes or no, majority rules” vote on an issue results in winners and losers. The inclusion of the minority view is good for the process because it keeps the team together and strengthens the final product.

This consensus-building process was quite evident during the two-day retreat. Although both days were long, they were filled with tremendous spirit and energy. We were developing relationships with each other as we explored our mutual concerns about the institution and its continuing artistic growth.

At the meeting which the Hoshin core group held on our stage, everyone was eager to hear about this dynamic force which was already being spoken of in reverential terms. Many people later commented on how profoundly they had been affected by this meeting, and several referred to it as the most positive moment in their histories with the organization. The Hoshin process provided a structure and direction to the spirit of cooperation.

Gideon is quite right in saying there were ruffled feathers. Many of us (from all four constituencies) used Tom Witmer or Bob Stearns as the “Hoshin Police.” After a stormy meeting, the phone calls or e-mail would be flying. Their advice was always something like, “You need to express your views directly to the person with whom you are having the problem.” During one late night call to Bob, when he was counseling patience, I asked him what his major was in college. His reply: “psychology.” No surprise there! We were expecting an instant change in our traditional relationship with the management, and that was not going to happen.

The Hoshin Team #2 deserves a special mention, as their contribution was extraordinary work. Jim Wilkinson (board member) and Dwight Dietrich (computer expert par excellence and volunteer) worked on this project nearly full time. The staff member and the two orchestra members were freed from as many of their usual obligations as possible, and they all worked through vacations and days off.

Although the relatively smooth conclusion of the recent five-year trade agreement probably would not have been possible without the year of preparation, this is only one benefit. Our long-term goal is to work together to strengthen the institution and facilitate its continuing artistic growth. We have learned from the Hoshin process the value of personal connections among members from the four constituencies in working toward this goal.

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Kathy Kahn Stept, Chair, Volunteer Leadership Committee

From the outset, the Hoshin process provided each team member from the four constituencies a rare and unique opportunity to interact personally through

“... the Hoshin process provided each team member from the four constituencies a rare and unique opportunity to interact personally through formal and informal meetings on an ongoing basis.”

formal and informal meetings on an ongoing basis. It afforded each team member the chance to gain a clearer understanding of the symphony’s organization structure, economic issues, institutional priorities, and values. Through the flow of information that surfaced during meeting discussions, open dialogue, and informal personal discussions, individuals became better informed and acquainted with the purpose and function of each constituency as it relates to the successful operation of the whole institution. Consequently, before the Hoshin Team #4 initiatives were formally presented to the board, musicians, staff, and volunteers, the seeds of cooperation and trust had begun to blossom. Board members were interacting with staff and volunteers, musicians were talking with staff, volunteers were becoming acquainted with musicians—in a way that had not been previously practical or accessible. The interdependence among

the groups became quite clear, and simultaneously came the recognition of the value and positive impact this breakthrough would have on the future success of the symphony.

It is remarkable how much has been accomplished in the short life of this process, and heartening to consider the future possibilities as we continue along the path to further enlightenment.