# Strategic Change

# Policy management of strategy (hoshin kanri)

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- *This paper reports on an Economic and Social Research Council investigation of Policy Management (Hoshin Kanri) practice in UK-based companies. It covers:*
- *The background to the emerging literature.*
- *The research applied a tracer approach where strategic objectives were followed by researchers in real time to see how these were developed, deployed and managed.*
- *The findings are presented under categories using each of the FAIR (focus, alignment, integration, review) framework areas for good practice strategic management.*
- *The characterizing features of Policy Management are summarized.*
- *Policy Management is compared to the Balanced Scorecard.*
- *Management by Objectives.*
- *The conclusion is that Policy Management is a good approach for building strategy into daily management on an organization-wide basis.*
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## Introduction

This article reports on findings from the UK Economic and Social Research Council research project about Policy Management. The Japanese name is *Hoshin Kanri*. It outlines the background to Policy Management and research. Is Policy Management identifiable and is it really different from similar approaches? This article uses a strategic management framework (FAIR) to present its characteristics, and summarizes the Policy Management framework. It also considers how different it is from other similar management approaches, Management by Objectives (MBO) and the Balanced Scorecard (BSC).

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## Policy management

Policy Management, called *hoshin kanri* in Japanese organizations, is a top-level management system for mobilizing a company-wide effort for realizing strategy. The approach was originally developed in Japan in the 1960s and was first introduced to a Western audience in a text translated from the Japanese and edited by Yoji Akao (1991). Policy management was described there by Akao as:

> *…A means to pull together the forces within a company and to unite the minds internally, to perpetually improve its performance by adjusting quickly to change* (174).

Many Western-based organizations now use policy management, but it goes under a variety of names. At AT&T and Texas Instruments, for example, it is called 'policy

deployment'; at Hewlett-Packard and Proctor & Gamble, it's labelled 'hoshin planning'; at Xerox Corporation it's 'managing for results', and at Unilever it's 'management into action'. Japanese subsidiaries based in the West usually stay with the original name, *hoshin kanri*. A good summary of American practice was given in Bechtell (1996), although this was strongly coloured by practice at Hewlett-Packard.

The practitioner interest in Policy Management grew against a background of a wider interest in Japanese management, especially

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Total Quality Management (TQM). Yet paradoxically, Policy Management, if it was mentioned at all, was marginalized in most accounts of TQM (see Cole, 1998, for a view on this). One reason is that strategy and an operational philosophy or way of working like TQM are compartmentalized, and Policy Management is a combination of the two, a jack of all trades and master of none.

Policy Management is also absent from much of the strategy and strategic control literature. In one of the most recent expositions of strategic control written at the high water mark of the Japanese success, Simons (1995) did not consider it all. The best-selling business books of both Hamel and Prahalad (1994) and Ghoshal and Bartlett (1997) clearly use case materials from Policy Management practitioners but there is no explicit reference to its application. The rise of the Balanced Score Card (BSC) (Kaplan and Norton, 1996) is clearly derived from Japanese cross-functional QCDE-based management, a related activity to *hoshin kanri* (more on this, below).

It could be that Policy Management is difficult to see in a recognizable form. It resembles Management by Objectives (MBO) and Western eyes may not easily catch the difference. As Lillrank (1995) noted for the transfer of Japanese ideas to other countries, the importance of strategic objectives to drive QCDE objectives in continuous improvement was ignored. He wrote:

*For linking strategy to operational improvements for providing the indirect means of motivation includes setting annual improvement targets, [and] their breakdown to specific targets for each unit... in the West this was not understood and [it was] therefore overlooked (1980).*

Western observers and others writing about management are decidedly ambivalent on objectives especially anything that resembles MBO (after all, is not TQM all about motivating people?). It was probably easier to ignore something that was anyway so much part of the fabric of daily management in Japanese organization that Policy Management simply passed unnoticed; the strategic wood was lost among so many operational trees.

## The research project

The *Hoshin Kanri Research Project* was sponsored by the UK Economic Social Research Council to gain insights into Policy Management practice in UK-based organizations, especially to try to answer the question of 'What is Policy Management?' The research sought to identify the key elements that define it and make it different. The research approach involved investigations at three Japanese subsidiaries (Calsonic, Nissan Yamato Engineering, and NSK Bearings) based in north-east England (Witcher and Butterworth, 2001). A series of around 100 interviews in each was carried out over a two-year period, 1997–1998; this used a tracer methodology, which had been used in similar process research in control systems (Woodward and Eilon, 1966) and IT

adoption (Legge, Clegg and Kemp, 1991). The principle is that an aspect of organizational action (the tracer), in this research the action is a formulated policy that was followed in real time by researchers, as it developed, was deployed, and daily managed. The purpose was to pick up patterns of interaction, including crucial ones, which in normal cross-sectional research are hard to identify and judge in context. The research study also compiled case histories of other UK practitioners. These belonged to the study's steering panel known as the 'Hoshin Kanri Practitioner Network'. This network included companies such as Nissan, Phillips, Xerox, and Hewlett-Packard. It met on a quarterly basis at a practitioner's premises, and involved presentations on aspects of Policy Management as well as factory and office tours.

### A FAIR strategic management framework

The main findings from this work are grouped below in this article using the FAIR framework (after Witcher, 1999). Top-level management in mobilizing organization-wide effort must achieve four main things from its strategic management: focus, alignment, integration, and review. Effective corporate strategy develops around a few key concepts that provide unity for the concentrated thrusts that take an organization forward. The essence is to build strength in selective ways that enable an organization to achieve its corporate goals. Top management, responsible for achieving the purpose of the organization, sets the focus that determines the direction and priorities of the organization. Alignment is necessary to bring plans (and other associated activities, notably budgets) into line, so that corporate strategy, unit objectives and strategies are consistent and agreed. Strategic objectives and strategies must then be integrated in daily operations in a way that ensures teams and individuals are able to manage their work (and in a TQM-conditioned environment this would involve the application of

PDCA-driven process management). Lastly, the management system must be reviewed in a way that involves top management and facilitates organization-wide learning, so it can refocus the organization for the next planning round.

The FAIR perspective is very much a strategic management one, but it has similarities to a quality management PDCA view, where PDCA equates to plan–do–check–act. PDCA has been used in a similar way to the use of FAIR here, as a framework to identify the elements of Policy Management; see the excellent paper by Wood and Munshi (1991) for example. In this instance focus would correspond to act, where top management starts the Policy Management cycle; alignment with business-level planning; integration with doing, and review with the check stage of Policy Management (see Witcher and Butterworth, 1999; where PDCA and FAIR are used in combination).

Defining Policy Management as an annual PDCA-driven process to be managed by top-level management has much to recommend it, notably to advocate that good Policy Management should be a managed process using good TQM principles like any other work process. However, Policy Management is difficult to pin down to an exact chronology since the research found that the PDCA 'stages' of the annual cycle can overlap considerably in practice.

### Focus

It was found that organizational Policy Management began when top management formulated for the whole organization a few vital priorities for everybody to use for the coming year. These were expressed as annual policies (labels differed, Japanese organizations used 'hoshins', but here the English translation, 'policies' will be used throughout for consistency). In some organizations only one policy was used but others had used more, to about five in number. Any more and it was found that organizations lost focus. The lower the number, the easier it was for more people to participate in the

development of a policy's objectives and the strategies to achieve them. Policies were written statements about anything considered important enough for company-wide attention. There were instances where a policy was simply to beat a competitor; others were about satisfying a major customer, improving a critical organization-wide business process, or developing an organizational competence in the workforce. The basic idea was that as many people as possible, preferably everybody, should make some contribution to the achievement of a policy so that at the end of

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the year a substantial move forward would be achieved for the organization as a whole. The articulation of a policy statement was something of an art. If too much was asked for, or if it seemed too difficult to achieve and to understand, then people were likely to ignore the policy. A policy had to seem relevant and realistic.

While top management determined policies, it required reliable feedback from an organization-wide review of the previous year's policies. This was done in the context of longer-term priorities and with regard to directional statements of organizational identity and purpose. These latter statements were variously a combination of values (how an organization should conduct its business), vision (an organizational aspiration), and mission (organizational purpose). Most weight was given to a consideration of progress in objectives expressed in a medium-term plan (usually three years long).

In the Japanese companies these plans were called challenges, though in other companies they were referred to as programmes.

For the main part these plans aimed to improve and stretch performance in critical areas of the business — these were not policies as such, but typically objectives taken from one year of the medium-term plan, which were translated directly into annual objectives as control items (or metrics). So these would be presented to a workforce alongside the vital few policies. In the Japanese companies and at Hewlett-Packard (Witcher and Butterworth, 2000), these control items were grouped in QCDE categories: Quality (customer concerns), Cost (financial concerns and resources), Delivery (logistical matters and innovation), and Education (employee concerns). QCDE was considered a common language for policy and objectives management, and the annual adjustments to the control items were the primary drivers for continuous improvement in daily management. Thus the vital few annual policies were typically formulated in the language of QCDE. The principle was that top-level management should not identify the means to achieve policies, but sometimes it did provide statements of clarification for guidance.

In some companies annual policy was stated in forms that allowed a wide degree of translation. At Xerox a policy was designed to impact upon employee motivation and satisfaction. This was called 'the Accelerated Skills Up Vital Few Programme' and was expressed, so:

*Xerox business lies at the intersection of two rapidly changing worlds — one is paper based and the other electronic. The first is 400 years old and is not yet spent; the other is barely 20 years old and has yet to really start. Do we really have the competencies in both these worlds?* (Xerox, 1998).

Xerox personnel were asked to understand the relevance of a range of technologies and how these blend together to produce the products and services that solve customers' document-handling problems. Xerox had put a considerable investment in training to develop multiple-skills, and the Accelerated Skills Up policy was designed to ensure

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that people knew how to apply this new knowledge... *through competency assessment and recognition for demonstrated ability to apply the skills in the work environment...* (Xerox, 1998). In the language of strategic management, Xerox was enhancing a core competence.

The research found that a recurring trap had been a tendency for top-level managers to expect too much from Policy Management. This resulted in policy overload where the numbers of policies were too many, when objectives and strategies multiplied out of control. In one instance a large multinational electronics company had attempted to use Policy Management to develop and deploy all its strategy-related and key annual performance targets, and as a result there was no sense of strategic priority in this company. So, for instance:

> *It has taken three months to write a hoshin plan for the following year. Too many objectives, ten objectives, results in non-achievement; plans that are unwieldy. There is possible success with two or three key objectives. Hoshin is about breakthrough objectives, not just daily operations — just keeping the ship on track, but changing the course of the ship. Have reduced this to five, three, two, and this year there is one specific key objective; it's quite specific and concerns a competitor* (a general manager).

Long experience of practice did not guarantee that mistakes would be avoided. In another more experienced company a new chief executive had insisted on increasing the number of policies from five to eight, with the result that they all failed. Senior management enthusiasm should be grounded in an understanding of the process otherwise it can be dysfunctional.

## Alignment

Alignment concerned the business planning activity at the start of a planning year, when annual policies were explained to managers by senior management at formal meetings.

Policies were presented against a background that included references to longer-term priorities and presiding circumstances. These meetings began an iterative communication activity called 'catchball' that translated policies into objectives and strategies (or targets and means). This was largely informal where draft objectives and strategies were exchanged (like passing a ball in a game of catch) between the involved parties in order to reach agreement about what might be achieved. It took into account routine work, as well as the state of available resources, and existing budget allocations. It typically lasted a month. The principle was that communication should be a process of consultation and agreement. Each objective and strategy (including the means to achieve the strategy) was agreed with everybody who was likely to make a contribution. They had to be achievable and centred only on achieving a contribution to a policy. Strategies included in a consideration of their means, their own control items to check progress, such as dates and timelines. A named individual was agreed for each objective and strategy, who would take ownership for review and progress. The discipline of prioritizing in the selection of objectives and strategies was a special feature of Policy Management and was important to ensure that they were manageable. It required effective problem solving and a strict adherence to Paretian principles to keep teams focused on only those objectives and strategies that would impact significantly on policy. It was also necessary for catchball to close agreements in a reasonable time. The degree to which non-managers, such as operatives, were involved depended upon the structure of the organization. Catchball was effective in closing within a month if only about four levels of hierarchy were involved. After this managers and their teams typically became involved with operational detail and an implementation plan was drawn up by departmental management to summarize the resource implications, including staff responsibilities and timing,

that plans implied, and the key dates for periodic review.

Catchball involved very close collaborative and cross-functional understanding among managers. The participative involvement of 'everybody' though could be limited and some managers did not think a full involvement was necessary:

> *I presented it down, and I said this is what I need to achieve, and this is how you can help me do it. You are looking at it from a bottom up perspective, from the point of view of say an operator who questions his contribution. The target holder sees the link, it is important that people see the link, but I question whether now it has got as far as the shop floor. Say within a small group, to reduce material usage the objective holder is going to see that he has reduced material usage and how he has done it, whether the man in the group knows that I doubt. It would be nice if he did know that, because it would help his understanding of the hoshin, but it hasn't hurt us his not knowing. Would it help his performance? Probably not, I would describe it as a nice to know rather than a need to know* (a senior line manager).

The research found that in general there came a point when catchball turned to a more prescriptive form of deployment activity, which was primarily about detailing responsibilities and making action plans at an operational process level. The three Japanese companies involved their managers in a very close cross-functional and iterative form of communication for the development of the objectives and strategies. This did not directly involve operators although their supervisors and team leaders did consult them. Operators played a fuller part in determining shopfloor responsibilities and daily activities. They also served as members of project teams on policy-related work when their expertise was required. This was often perceived by the individuals concerned as a normal part of their duties to help solve questions about their part of a business process. A related issue concerned how to link objectives and strategies at an individual level in performance appraisal. This was not done except at Xerox where the inclusion of policy-related objectives and strategies in an appraisal was thought by management to be a powerful support for making policy related objectives a priority to the individual concerned.

## Integration

The aim of daily management in a Policy Management practitioner was always to have standardized processes under control. When work was continuously checked to ensure it conformed to expectations so that if necessary corrective action was taken and improvements made. Policy-related objectives were incorporated into process management and managed using PDCA principles. Without this addition of policy objectives to daily process management, daily management would be essentially reactive. Policy objectives are strategic and often require a rethinking of how to work and sometimes a re-engineering of processes. Where a policy was complex and its requirements uncertain, a project-led approach was used. This typically began with data gathering to clarify issues and then continued, often with different project members, to examine alternatives and the means to implement them. This kind of work took unexpected turns, involved mini-projects, side issues and work that overlapped with pressing daily management issues. Typically, daily management and project work were reviewed at a routine general management meeting when follow-on work could be initiated and assessed.

Continuous checks in daily work combined with periodic review to monitor policy-related work so that it was neither delayed nor allowed to go by default. Minor issues and difficulties were typically dealt with as they occurred on the processes, but where they persisted they were taken up at management meetings, investigated, actions implemented and the changes reviewed. There was also a form of periodic review

oriented to senior management and its need to oversee the overall progress of policies. At these objective owners made formal presentations on quarterly progress and explained changes and corrective activity. This was especially important for emergent policy related issues and which demanded immediate attention and which can crowd out annual policy activity.

> *Things come along, so say, for example, the company makes an acquisition and in personnel you then have one hundred people to integrate into the company, pensions to sort out etc. There are always things that come along which try to push you away from your focus. The idea is not to drop the ball at the slightest provocation. In times of instability there is a greater need for focus and the hoshin process does help in identifying what is really important* (Straker, 1997).

Thus unforeseen issues were reconciled and tackled with a clear understanding of their impact on the annual policies. Typically the aim was to keep to existing objectives wherever it was possible but change or modify the strategy.

A key element was ownership:

> *In my experience, you very rarely find an objective that does not work because it has been written by the person who is implementing it, even if they do not quite follow what is written as means, they will work around it* (a senior manager, NSK Bearings).

Ownership was organized around the nature of the work being tackled rather than tied to a functional area When work

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was split between departments, a single owner was agreed and the work was led by a need to take the best action to achieve the objective. Vested interests were ignored, and functional interest although considered for the implications of proposed actions, were secondary. When a review was solely confined within a functional area collaboration and learning was limited.

PDCA-conditioned daily management was a part of TQM. All the Policy Management companies applied a process-based TQM. Some Japanese companies make a distinction between total quality control (TQC) and TQM to distinguish their form of process-led quality management from other forms they believed were prevalent in the UK. In general though, quality management worked well for all the Policy Management companies. PDCA process management was well understood as the platform for improvement and policy-led change. However, TQM had not been achieved easily, and its processes had to be reviewed and managed continuously. Top-level management had to continually demonstrate not only commitment but also understanding and patience. Sometimes there was evidence of impatience in senior managers whose style was prone to individualism and the achievement of short-term performance. This was made worse by the job mobility of senior personnel and the loss of managers who were experienced with TQM ways of working. There was an obvious need for senior management to ensure that review took place, it was conducted properly and that follow up action successfully closed. In the words of a manager at a Calsonic business:

> *Somebody has to keep their finger on the pulse. I think that if I began to show that I was not interested or not involved in it, it would start to deteriorate. I feel that it is one of my key tasks in the job. In America we have a guy in the TQC office who is a director on the board who co-ordinates the process.*

At its North American plants Calsonic had introduced a Japanese committee-based

approach to managing objectives. Called QCDE committees, these are a top-level management-driven activity. The aim was to drive cross-functional periodic review of QCDE strategic objectives, including those related to the annual policies, across the whole organization. In at least one case one of the UK companies, Nissan Motors, had been planning a central TQC office to administer TQC and its policy objectives. In general for the UK companies periodic review was found to be a fragile part of Policy Management. There was evidence that some managers had cancelled review meetings when it had proved expedient for them to do so. It was argued that monitoring had still continued so that the key people concerned had still been aware of a policy objective's progress. However, it was found that cancellations had signalled a lower priority for the management of a policy and this influenced the attention people gave to monitoring their own objectives and strategies.

### Review

The annual check by top-level management on the overall effectiveness of the annual policies provided important information that was used to help determine subsequent annual policies. It was also used to evaluate any unfinished project work to determine if it should continue. Typically the annual check involved rolling up information from periodic review meetings. Some management argued that review was an on-going activity, so current status and the overall state of the organization was always known. In other cases, the annual review process was elaborate and companies reviewed annual policy as part of a larger audit of their critical management processes and performance. This enabled senior management to reflect on best practice and use the audit as a learning vehicle. Sometimes senior and outside managers were used as auditors. In these instances, management felt it demonstrated leadership and helped legitimize methods of work, including Policy Management. In

Japan the annual check is called a 'President's Diagnosis' where it can involve board-level executives as auditors.

With two exceptions (Xerox — it used its own customized business excellence model, and Hewlett-Packard which used questionnaires but no formal model) there was no audit of how the process of Policy Management had been used. Audits tended to concentrate on the achievement of the annual policies to the expense of an examination of how the *process* of Policy Management had worked during the year. There were divergent views about what Policy Management was. This is illustrated in these contrasting views of two senior managers. The first saw it as essentially a culture or a way of working that developed organically, while the second saw it as a managed process.

*Hoshin is not a system. Hoshin is a purpose. The purpose is to ensure that everybody is pulling together in the same direction*

*People have a better understanding of what is expected of them, they know what their role is. Because of this it is easy for me to manage and control the system. Because it is well targeted, I can measure it, and so can determine success and build upon that. I have rolled policy into personal objectives for the first time this year directly. After I have put my original thoughts down, my plan, they will all think of their own objectives and they all have a policy — they are all policy driven.*

The research found that Policy Management differed according to experience. It was recognizably the same thing in all the companies, but senior managers differed in their style of management. A critical aspect concerned the degree to which managements administered their systems. If this was done carefully and with reflection, then Policy Management was more likely to be consistent throughout the organization and review, in particular, was more likely to function effectively.

## What is policy management?

The research found that Policy Management was an organizational system for managing company-wide effort as proponents such as Akao (1991) and Bechtell (1996) had argued. But it was a top-level business process, which required its own management by top management. In summary, Policy Management required the following elements to work effectively:

- That business processes must be under control; this must involve both organizational-wide (cross-functional) <u>and</u> daily management objectives. These two sets of objectives can be reconciled and coordinated by top-level management. Frameworks such as a QCDE committee structure, a managed business excellence model, a value chain, or a BSC could play a complementary role.
- The formulation of a vital few policies (hoshins) by top management (usually involving non-routine or breakthrough objectives).
- Everyone must make some contribution to the vital few and align other objectives (including cross-functional and daily management ones) and agree these with effected parties through participative planning and catchball.
- Control of cross-functional and daily management processes and objectives requires a PDCA form of business process management (e.g. process-led TQM, or lean working).
- PDCA requires individuals and teams to be empowered by senior management through the development of an ability to use quality tools, teamworking, and problem solving: management in this sense equates with the 'new leadership' advocated by Senge (1990) for the 'learning organization'.
- The direction of effort must be task rather then functionally driven, so that cross-functional working is combined effectively with vertical working.

- Data and analysis in determining cause and effect, and the Paretian principle, must be central.

The application of these things all together is difficult to achieve and to keep on achieving. It requires top management understanding and its active involvement to ensure that these elements continue to contribute to Policy Management across the whole organization. Policy Management must itself be constantly managed and continually improved

> *Policy Management must itself be constantly managed and continually improved*

like any cross-functional process by top management.

This paper began by noting the marginalization of Policy Management and a question was raised about its identity. Considering the elements listed above and the findings from the research summarized in the FAIR categories, Policy Management is consistently recognizable and different. Hackman and Wageman (1995) asked similar questions about the identity of TQM by taking assessing its convergent and discriminate validity. Following in their footsteps, it seems from this research about Policy Management, that practice does share a common set of assumptions and prescriptions to give it a strong degree of convergent validity. However, is Policy Management clearly distinguishable from other approaches?

## The balanced scorecard

The BSC is Policy Management's most obvious rival. It also uses a four-part objective set that is very close to the QCDE framework. Its origins at Analog Devices in 1987 and Norton's links to Hewlett-Packard suggest that

the idea may be traced back to Japanese cross-functional management. Kaplan and Norton (1996: 2) described the BSC as a strategic management system and much of the BSC literature makes similar claims to Policy Management. The Balanced Scorecard itself is much simpler and more straightforward. In a world where senior managers are both career- and company-mobile it offers a quick solution for aligning top-level goals.

However, there is no specification of annual policy, especially of 'a vital few'; rather its primary purpose is to clarify the key strategic goals of a business. This is useful as a reference point to guide strategic (and perhaps problematically, operational) decisions. In this sense it is an organizing tool rather than an organizing framework that anchors policy organization-wide. As such there is a potential for the BSC to play a part in Policy Management as a useful directional aid, especially during the catchball development of objectives when local plans must be aligned with an annual corporate policy, and in a way that is consistent with corporate goals. It can also be used as a communications vehicle for informing employees generally about an organization's goals in a way that could be used to stress the importance of making contributions to a particular annual policy. It is doubtful, though, if the scorecard can be used effectively to translate business goals into operational objectives without the other elements of Policy Management.

## Management by objectives

Policy Management, because of its catchball development and deployment of objectives, is sometimes confused with MBO. The most infamous example is the confusion it caused when Hewlett-Packard began to replace its MBO with Policy Management, when the CEO of the time went on record to assert he could not see any difference (Witcher and Butterworth, 2000). MBO was developed early in the twentieth century at DuPont and at General Motors where it was called 'MBO

and self-control' and Drucker (1955) advocated it early on as a liberating management philosophy. This suggested a participative or catchball approach to developing and deploying objectives. However, MBO came to be used by superiors as a command and control approach for setting numerical performance goals for subordinates. It is typically blamed in the literature for a variety of ills, (for example, the promotion of individualism, the creation of vested interest, functionalism, inertia and short-termism (Lynch and Cross, 1991)).

In Japan, on the other hand, MBO was developed in harmony with *nemawashi* — an informal and intensive form of consultation that paves the way for open meetings and formal decisions. A senior Japanese executive at NSK Bearings defined catchball during the research as a process of consensus building that develops an understanding about what is a right course of action for a particular policy. In his words:

> *The development of objectives and strategies is nemawashi, this is everybody understanding what is going on and agreeing that it is the right thing before you do it. If you want something done you have to do nemawashi in the background so that when you come to do it you are straight in with no problem.*

*Nemawashi* in combination with the discipline brought to problem solving by TQM made the process of development and deployment of objectives and strategies subtly different from MBO. Of course, informal communications do play their part in discussions and decisions in most Western organizations, but they are rarely aligned in a managed and facilitated way as they are in Policy Management.

There is a danger in Policy Management that top-level management may go to the other extreme and state objectives and policy very simply, and then do no more than exhort people to try harder and leave it to local interest to settle priorities. While this is consistent with many ideas

of leadership and creative management it cannot by itself guarantee a sustained effort in daily management that is in line with overall corporate or organizational purpose. The system is robust enough to be managed incompletely, some elements can be neglected and even left out, so that there is danger that Policy Management may eventually degenerate into a more traditional form of top-down MBO. Where it worked best, Policy Management had become a way of management of objectives (MOO not MBO). This involved a coordinated system of organization-wide review based on PDCA approaches to process management.

## Conclusion

Policy Management was found to be a coherent and distinctive organization-wide management system. It is best used actively by

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top-level management, to provide a strategic focus, to align plans, to integrate targets and means into operations and to ensure that the whole system itself can be reviewed in terms of cross-functional performance. Managements claimed important benefits in this respect, especially with regard to strategic transparency — where management knows at any one time where operations stand in terms of the organization's strategic objectives. Thus policy had been built into daily work so that organization-wide commitment to top management goals was never in question.

## Biographical note

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