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Preface

This Standard has been established by the Japanese Society for Quality Control (hereafter JSQC) through the deliberations of the Technical Board, consisting of practitioners and academicians under the administrative provisions of the JSQC.

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Guidelines for Policy Management

(Note: this document is an official English translation of JSQC-Std 33-001:2016 written in Japanese.)

1

Introduction

Contexts of an organization are ever changing: e.g., needs of customers and the society, technologies needed to provide products and services which satisfy those needs, and values/knowledge/skills of employees. If the organization wants to continue and develop its business, it is required to well understand these changes well and implement improvements and innovations in a timely manner. Therefore, it is essential that top management determines what to aim for based on situations in and around the organization, and that each function (e.g., division, department, section, or group) implements improvements and innovations needed to achieve it. In the organization where many people work, however, there are many cases where top management's thoughts and the objectives set are not well communicated to frontlines, efforts for improvement and innovation are put off because of daily operations, different functions are not well aligned, or information from the frontline are not used for determination of objectives and plans. When these situations occur, precious efforts do not show the expected effects. Policy Management is the activity which has been established to overcome these difficulties and promote process improvements and innovations. It is based on the principle that "Quality is achieved through the process" (i.e., establishing and following the process in order to economically generate the planned products and services), which has been developed in the field of Quality Management. If Policy Management is promoted adequately, efforts for challenge becomes active and generates growth of people and joy in work. Policy Management is the key to organization management to overcome changes, and furthermore, to tie changes to business development. It greatly affects sustained success of the organization. Therefore, the whole organization should address themselves strives for strengthening it.

This Standard consists of the fundamentals and processes of Policy Management, guidelines to implement Policy Management, and the guidelines to organizationally promote Policy Management, and is applicable to any types of organizations. Policy Management can be applied to any type of business, which include not only manufacturing and service provision, but also project-based business, business which are implemented by alignment between multiple organizations, and non-profit business. The fundamentals of Policy Management are discussed in Clause 4. After the process of Policy Management is outlined in Clause 5, how managers of each function should implement Policy Management is discussed in Clause 6, based on the recognition that core persons who implement Policy Management are managers of each function. Furthermore, how top management or the persons who are responsible for Policy Management of the whole organization should implement Policy Management is discussed in Clause 7. The key points for promoting Policy Management organization-wide are discussed in Clause 8.

¹ Remarks from Translation Working Group for this English version:

Usage of the word "Policy Management" as the translation of "Hoshin Kanri (in Japanese)" can misleading the context of this standard from existing image of the English word. However, as "Policy Management" had already accepted widely in TQM, we use this name as the official translation.

This Standard should be used with JSQC-Std 32-001 “Guidelines for Daily Management” because Policy Management can be more effective when implemented with Daily Management.

1. Scope

This Standard provides recommendations by the JSQC with regard to Policy Management as one of the major activities of Quality Management.

2. Normative references

The following standard will be incorporated into this Standard by reference. Only the version of the stated year will be incorporated. No revised versions and supplements will be incorporated.

JSQC-Std 00-001: 2011 Terminologies for Quality Control

3. Terms and definitions

The terms and definitions in JSQC-Std 00-001 and the following terms and definitions will be applied in this Standard. The following terms and definitions include those cited from other standards and reproduced.

3.1 Policy Management

Activities to achieve policies by unity of purpose and priority approach with engagement of all functions and levels

Note Policy can include mid-and-long-term policy, annual policy and so on.

(Same as JSQC-Std. 00-001)

3.2 Policy

Overall intentions and direction of an organization, formally expressed by top management, relating to achievement of mission, principles, vision and mid-and-long-term business plan of the organization

Note 1 A policy generally includes the following three elements:

- 1) priority issues,
- 2) objectives, and
- 3) means.

Some organizations, however, do not include all three and separately define part of them.

Note 2 Direction expressed by managers in an organization based on top management policy may be referred to as policy.

e.g. division manager’s policy, branch office manager’s policy and plant manager’s policy

Note 3 An extra term may be added to policy in order to make it clear that it is a policy for a specific management field.

e.g. quality policy and environmental policy

(Same as JSQC-Std. 00-001)

3.3 Priority issue

What an organization must focus on according to criticality, then address and achieve

(Same as JSQC-Std. 00-001)

3.4 Objective

Goals sought, and aimed for, in efforts to achieve the purpose

(Same as JSQC-Std. 00-001)

3.5 Means

Measure selected to achieve objectives

(Same as JIS Q 9023:2003)

3.6 Action plan

Program intended to specify the resources and their operational process necessary to carry out means to achieve objectives

(Same as JSQC-Std. 00-001)

3.7 Control point

Items selected as the rating scale to manage the achievement of the objective

(Same as JIS Q 9023:2003)

3.8 Control level

Value or range which the process in the stable or planned condition shows

Note 1 The process can be evaluated whether it is in the stable or planned condition by comparing the actual value with the control level.

Note2 Control level can be expressed as average value or average value $\pm 3 \times$ standard deviation.

(Same as JSQC-Std. 00-001)

3.9 Function

Individual unit which consists an organization, assigned to a certain mission and role

Note 1 A function typically consists of a manager who supervise it and more than one members.

Note 2 A function can be divided into smaller functions. Examples of function include division, department, section, or group.

3.10 Cross-functional team

Team formed by collecting all relevant knowledge and skills available in different functions in order to address an issue that is hardly solved by a function on its own

Note 1 Cross-functional team includes personnel from design, manufacturing and service provision, engineering, quality, sales and other relevant functions. It may also include customer and/or partner.

Note 2 Cross-functional team is a type of improvement team.

4. Fundamentals of Policy Management

4.1 Role of activities that consist Total Quality Management (TQM)

Total Quality Management (TQM) is the activity;

- whose aim is the long-term success through the provision of products and services that meet the needs of customers and society as well as the satisfaction of employees,
- for maintaining, improving, and innovating processes and systems,
- by all functions and levels of the organization,

to achieve effective and efficient organizational management in a dynamic business environment.

Core activities in TQM are the maintenance-plus-enhancement, improvement and innovation of processes and systems (Fig.1).

- **Maintenance-plus-enhancement** (management in a narrow sense): activities which set the current or extended level as a target and ensure that the job does not deviate from the target, and when it deviates from the target, the job can be restored quickly and enhanced to achieve higher performance
- **Improvement**: activities which set a higher target than the current level or extended level, and then solve problems and achieve tasks repeatedly.
- **Innovation**: drastic changes in processes or systems by the introduction and application of new know-how from outside of the organization or other functions in the organization, different from the maintenance-plus-enhancement and improvement activities which are based on the enhancement of the know-how through operations and learnings of processes or systems in the organization.

Maintenance-plus-enhancement and improvement are collectively called “improvement” in a broad sense.

It is important to implement maintenance-plus-enhancement, improvement and innovation in a balanced manner. Maintenance-plus-enhancement alone cannot maximize the potential of the process and system. It leads to a mannerism, reduces the interests in the process and system, and lowers the performance gradually. On the other hand, improvement and innovation alone cannot sustain achievements. This reduces motivation towards improvement and innovation, and results in poor performance. It is important that job know-how obtained through improvement and innovation becomes inputs to the maintenance-plus-enhancement and utilized, while issues and problems which are difficult to solve by maintenance-plus-enhancement become inputs to the improvement and innovation.

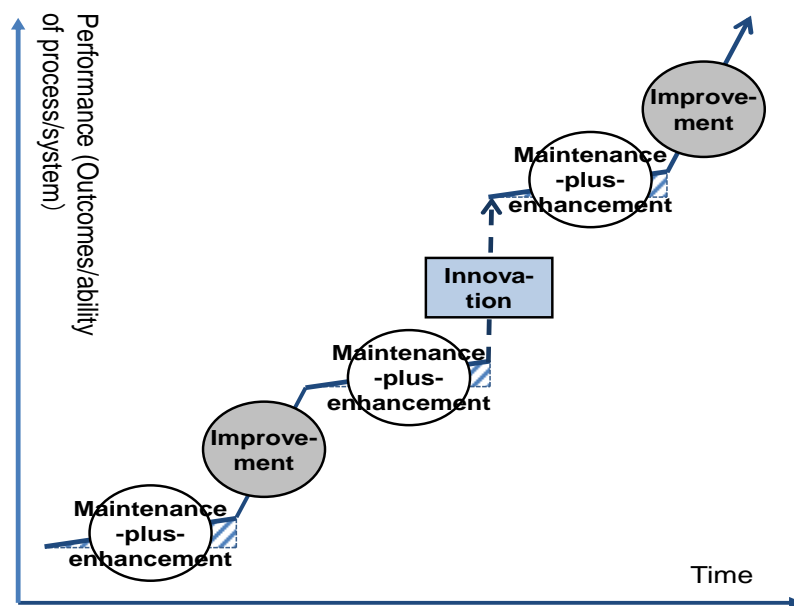


Fig. 1 Maintenance-plus-enhancement, improvement and innovation

An organization is required to systematically address Quality Ensurance, Policy Management, Daily Management, Small Group Activity, and Education and Training on Quality Management in order to constantly implement maintenance-plus-enhancement, improvement and innovation with the participation of all the functions and at all levels of the organization, and link it to the provision of products and services that meet the needs of customers and society as well as the satisfaction of employees (Fig. 2).

- **Quality Ensurance:** Organizational systematic activities to ensure, confirm and demonstrate that the needs of customers and society are met. Although sometimes confused with inspection, claim handling, preparation for external audits and so on, it has a broader meaning. It includes “Process Ensurance” which establishes the process that can produce the targeted product and service effectively and efficiently and allows customers to purchase products and use services with confidence, and “New Product Development Management” which develops new products and services to meet customers’ needs effectively and efficiently. Active practice of all three systemic activities of maintenance-plus-enhancement, improvement and innovation are essential as a foundation of Quality Ensurance.
- **Daily Management:** All activities to effectively achieve the objectives with regard to the job that every job unit of the organization is charged with. To put maintenance-plus-enhancement into practice, it is essential to clarify job roles and the processes to perform them as well as factors affecting job performance and methods of controlling them, and to establish a system to perform the processes and methods steadily. The organization should also establish the ways to measure the performance, and when results which contradict the normal results are obtained, steadily investigate their causes and take actions.
- **Policy Management:** Activities to achieve policies by the unity of purpose and priority approach with engagement of all functions and levels. To put the improvement and innovation into practice in areas where only maintenance-plus-enhancement is not sufficient, it is essential to establish strategies and objectives to respond to changes in the customers’ needs and the business environment and to deploy priority issues/objectives/means and rotate Plan-Do-Check-Act cycle continuously.
- **Small Group Activities (Small Group Improvement Activities):** Activities of forming small teams, which enable close communication for the issues and problems faced in Daily Management and Policy Management, challenging the issues and problems in a speedy manner, and achieving skill enhancement, self-actualization, and development of trust. It includes cross-functional team activities, project team activities in a job unit, and QC circle activities by frontline employees.
- **Education and Training on Quality Management:** Activities for systematic human resource development so that members of an organization acquire values, knowledge and skills to effectively and efficiently attain products and services that satisfy the needs of customers and the society. It is important as a premise for active maintenance-plus-enhancement, improvement and innovation, and includes establishing a hierarchy-wise and field-wise education and training system, preparing opportunities for learning through practice, and setting targets for required skills and developing them in a planned manner.

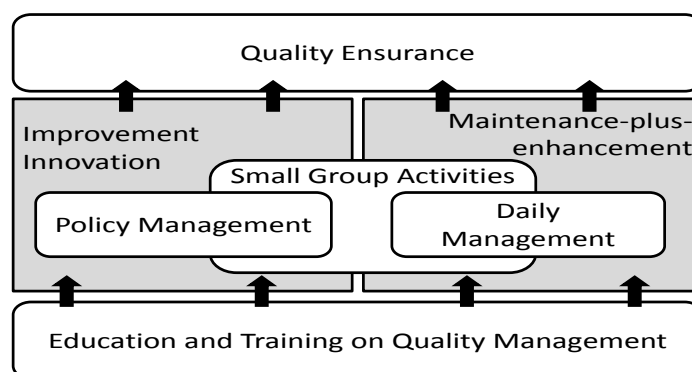


Fig. 2 Role of each TQM activity in the implementation of maintenance-plus-enhancement, improvement and innovation

4.2 Key concepts of Policy Management

4.2.1 Purpose and scope of Policy Management

There are many cases where efforts which exceed the ordinary level, are required to achieve business objectives. Policy Management is the activity to implement these efforts effectively and efficiently in an organization which comprises of many people.

Since the business plans, Daily Management and Policy Management are closely interrelated, it is common to confuse between them. “Business plans” in this Standard means all plans to be implemented by an organization to achieve its purpose, including mid-and-long-term business plan, business strategies to achieve it, annual business plan, action plans to be implemented by individual functions for daily operations. The organization needs to surely rotate Plan-Do-Check-Act cycle of its business plans. As for the relations between business plans, Daily Management and Policy Management, it is recommended to understand that the activities for realizing business plans are both Daily Management and Policy Management (see Fig. 3).

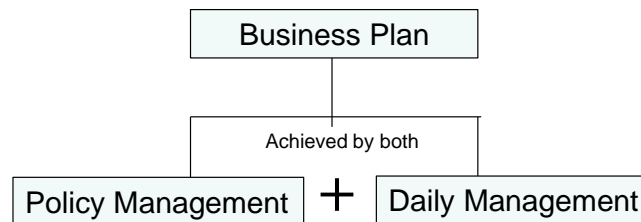


Fig. 3 Relations between business plan, Daily Management and Policy Management

Once objectives are determined at upper level business plans, the following two activities are required to achieve them:

- a) Activity to ensure the part which has been attained (maintenance-plus-enhancement), and
- b) Activity to newly address the part which is insufficient (improvement and innovation).

While Daily Management corresponds to activity a), Policy Management corresponds to activity b), i.e., activity to identify issues and problems which are not covered by Daily Management, to be addressed, which are not covered by Daily Management, based on object-oriented thinking and priority approach, and to achieve and solve them (see Fig. 4).

Changes in business environments require improvement and innovation of existing processes. Although changes of process can be expected to produce big effects, they also may increase risks of unexpected failure or trouble. To suppress such risks, it is essential to consider and take countermeasures sufficiently beforehand under Policy Management as well as to implement standardization of operations and detection detect and correction of abnormality and correct abnormalities thoroughly under Daily Management.

Balance between Daily Management and Policy Management generally depends on function, and business situations and TQM development stage even in the same function. In many cases, however, Daily Management covers most of the areas, whereas Policy Management address the areas which cannot be covered by Daily Management.

Note 1 As for operations implemented by projects like new product development, the part which can be done by the existing processes (ordinary project management processes) should be addressed not by Policy

Management but by Daily Management. However, the part which is difficult to be handled by existing processes and requires process improvement and innovation (e.g., introduction of new technologies or design method, or enhancement of alignment with other functions), such as drastic reduction of number of design changes, big reduction of development schedule or correspondence to new regulation, should be addressed by Policy Management.

Note 2 Balanced Scorecard (BSC) covers whole business plans without distinguishing the above differences.

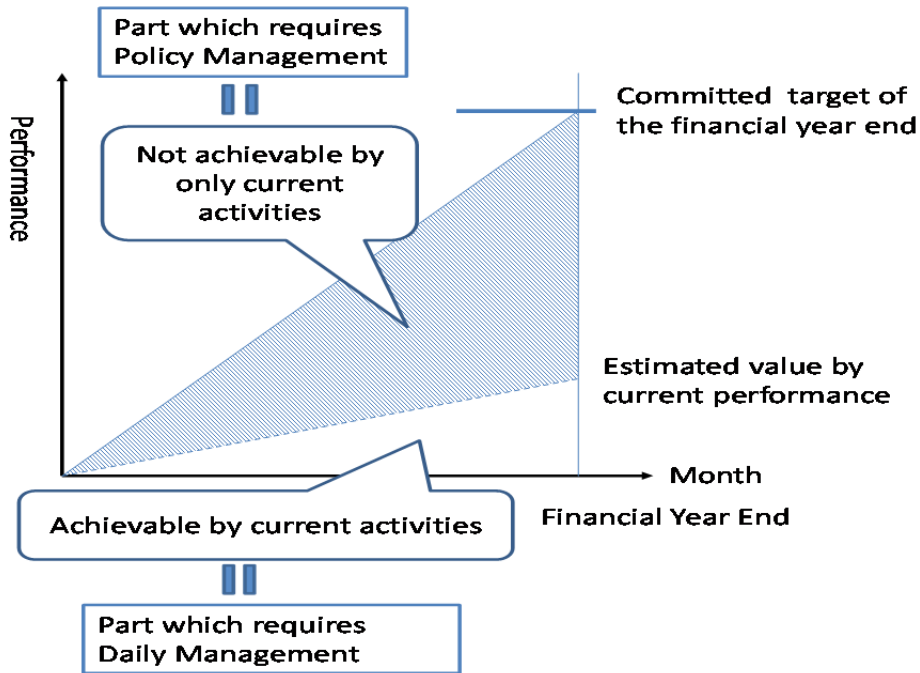


Fig. 4 Relations between Daily Management and Policy Management from the viewpoint of “purpose”

From the viewpoint of “procedures,” when insufficient parts are identified in the operations which are addressed by Daily Management on SDCA (Standardize-Do-Check-Act) cycle, in addition to Daily management, issues/problems should be picked up and addressed by Policy Management on PDCA (Plan-Do-Check-Act) cycle. When issues/problems are achieved/solved, the obtained know-how is standardized and utilized in Daily Management (see Fig. 5).

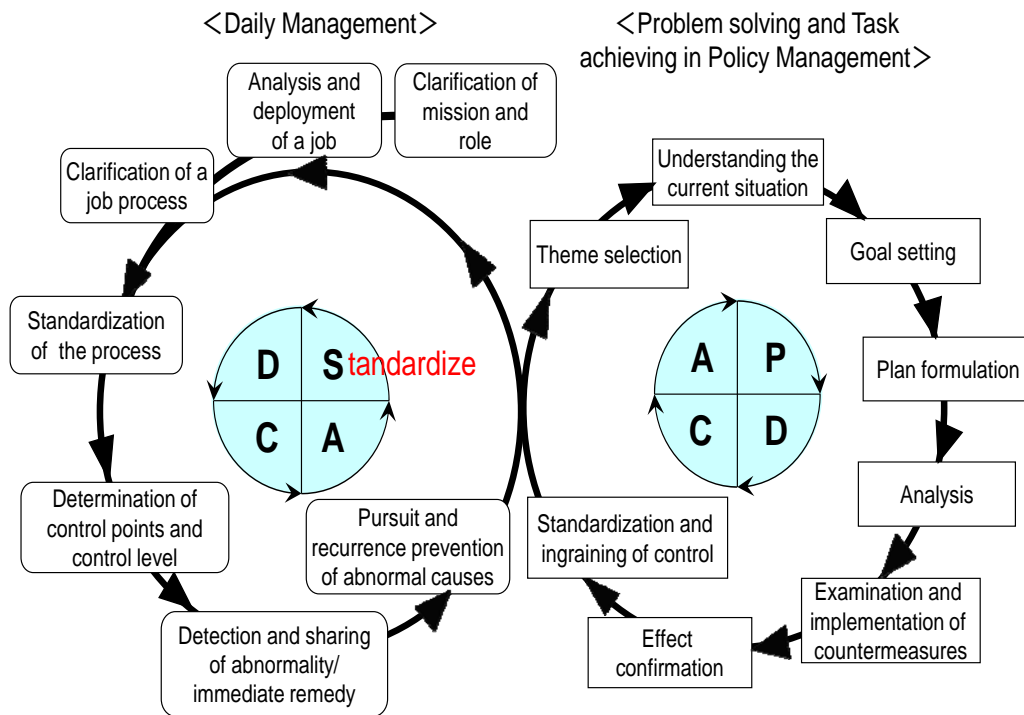


Fig. 5 Relations between Daily Management and Policy Management from the viewpoint of “procedures”

Policy Management is closely related with mid-and-long-term business plan and business strategies to achieve it. However, Policy Management is not intended to be used to develop the mid-and-long-term business plan and business strategies. The mid-and-long-term business plans and business strategies are mainly decided based on organization’s business decision lead by top management. Business plans of each term implemented based on the mid-and-long-term business plan and business strategies, especially parts regarding improvements and innovations, are managed by Policy Management.

Note In some literatures, establishment of mid-and-long-term business plan and business strategies is included in Policy Management. However, in this Standard, management of each term business plans based on mid-and-long-term business plan and business strategies is focused.

4.2.2 Three streams of Policy Management

Policy Management basically comprises of three streams: deployment, integration and reacting to environmental changes (see Fig. 6).

- **Deployment:** Objectives of the uppermost ranks in the organization pertaining to vision and mission are deployed to more specific means based on linkage between objective and means in line with the levels of the organization. They are basically deployed from the upper level to the lower levels of the organization but close discussions for alignment between horizontal and vertical levels is needed.
- **Integration:** Along with confirmation and evaluation of status of achievement of objectives and status of implementation of means in each function, issues and problems at the lower level are integrated to the issues and problems at the upper level based on linkages to the objectives and means, and validity of

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