

QUALITY RESOURCE CENTER, INC.
ISO 9001:2000
IS IT WORTH IT ?
A TOOL FOR AVOIDING A CRISIS



IN THIS ISSUE

This is the second of a series of seven issues of the QRC Newsletter addressing the question: "ISO 9001:2000, is it worth it?"

In Newsletter 401, we discussed the impact of the introduction of ISO 9001:2000 in December 2000. As part of this introduction there was a requirement for all ISO 9000:1994 companies to transition to the new Standard by December 2003.

By the end of 2001, less than 5% of ISO 9000 companies had made the change. Was this a missed opportunity?

By adopting the changes required by ISO 9001:2000, could organizations have found themselves with more tools to meet the economic challenges of 2001?

ISO 9000 Standards are well established as a method of obtaining external validation of an organization's operation.

Organizations have been primarily motivated to ISO 9000:1994 certification for marketing and sales reasons (*customers required it*). Unfortunately ISO 9000 Standards have not been so well established as a method of obtaining results.

If an organization's ISO 9000 program is not focused on achieving results, the Standard will simply be a "cost of doing business". In the present economic climate, the last thing most organizations need is an additional cost of doing business.

The focus of this series is on ISO 9001:2000 not as just a sales tool, but as:

1. A valuable crisis management tool for dealing with the challenges of today's economy.
2. An opportunity to gain a competitive edge over organizations that do not have the management tools of ISO 9001:2000 at their disposal.
3. A means to improve the effectiveness of the organization and its people.

In this issue we primarily examine ISO 9001:2000 as a tool for avoiding crises.



CRISIS? WHAT CRISIS?"

"If you can keep your head when all about you are losing theirs, perhaps you do not understand the situation"

Jean Kerr

At the time of writing, there is a growing feeling that the recession that has been plaguing us is coming to an end. If this interpretation of the economy is right, the key question is, of course: "how fast will be the recovery?"

If we consider the following signs, the recovery will probably not be a tide that will raise all boats.

Trends:

At the end of 2001, total debt in the United States was rising at an annual rate of 6% in real terms.

By contrast, in every previous recession, the real level of private debt has fallen.

The consumer as a potential engine for a fast recovery

Worldwide household debt, measured as a percentage of personal disposable income, was recently reported to be:

Japan	132%
Britain	118%
Germany	115%
United States	108%.

The consumer may not be in a position to drive a fast recovery, whatever his/her spending inclinations.

Impact of the debt trends on available income

Households: Almost 14% of disposable income is spent on servicing debts

Corporations: In excess of 14% of profits is spent on debt service.

When servicing a debt becomes this much of a burden, obtaining more debt is obviously less attractive.

These reports indicate that economic recovery, when it comes, will be slow.

To deal with this situation, organizations that will prosper in the next few years need to be **effective, efficient and customer focused** (all principles of ISO 9001:2000).

A major concern, during a slow economy, is that the real cost of every mistake becomes proportionally more damaging.

Preventing mistakes is, of course, the cheapest and simplest way of dealing with this phenomena.

ISO 9001:2000 provides the tools to enable organizations to identify and prevent mistakes

Let's take an example of a company that loses a customer because of *unreliable delivery of products or services*.

If this customer provides a small dollar value and is a poor payer, the loss may not be regarded as serious and certainly not a crisis. The event might even be ignored.

A company operating an ISO 9001:2000 system would, however, identify this event as an indicator of a potentially serious problem that needs attention.

Delivery was unreliable and a customer was lost *because the organization's processes did not work as they were supposed to work*.

The following ISO 9001:2000 components would have been activated to address this situation:

ISO 8.4: Analysis of Data

Providing awareness of the unsatisfactory delivery situation (and perhaps its causes) in a timely and factual manner:

ISO 5.6: Management Review

Bringing the failures of the organization's processes to the attention of executive management

ISO 8.5: Improvement

Requiring that the problems be addressed and corrected in a timely manner, before more harm can be done

If these tools are not available, and changes are not made, *worse could happen*.

The next customer that takes its business elsewhere, because of unreliable delivery, could be one of the organization's major customers. This customer orders regularly and pays well. Even worse, the business could be taken to a key competitor.

ISO 9001:2000, through its system of checks and balances, provides factual information to the right people, in a timely manner, and has in place the processes to correct problems and prevent their reoccurrence.

John Kenneth Galbraith said that when we take steps to avoid a crisis **"we do not**

experience, and thus have no measure of the disasters we have prevented".

An organization may never know what it gained by effectively using an efficient management system. It will know to its cost, what it has lost if it doesn't.



"OUR PEOPLE KNOW WHAT THEY ARE DOING"

"Does it take good people or good institutions to make a strong state?"

Chinese riddle

The generally accepted answer to this riddle is "both". The institutions (or in the case of organizations, the processes) will never bring success unless they are managed and operated by effective and competent people. On the other hand, even the best people, especially when confronted with unexpected situations, are more dependable and effective when they are following processes and goals that they clearly understand and consistently follow.

ISO 9000:2000 emphasizes its intention to ***"encourage the adoption of a process approach to manage an organization"***.

This is an encouragement to develop processes that suit your individual organization. It is not a "one size fits all" approach, because it doesn't.

Some of the key goals of ISO 9000:2000 are for an organization to:

- "1. Identify and meet the needs and expectations of its customers and other interested parties (people in the organization, suppliers, owners, society)*
- 2. Achieve competitive advantage, and to do this in an effective and efficient manner.*
- 3. Achieve, maintain and improve overall organizational performance and capabilities"*

Any organization that is working towards these goals is a formidable competitor. When these goals are pursued through the use of a process based system (ISO 9001:2000) they are accomplished in a way that maximizes the effectiveness of the people in the organization.

The vast majority of employees are capable of achieving known goals and making value-added contributions to the success of an operation.

However, these contributions are consistently made when the people are

given the advantages provided by the ISO 9001:2000 system. These advantages include:

ISO 6.2.2: Competence, awareness and training

The organization establishes the competencies required for a specific task, and insures that the employee is suitably trained, and aware of the importance of his/her work to the organization.

ISO 5.4.1: Knowledge of goals and objectives

Management establishes goals at relevant levels in the organization. People know what they are aiming for.

ISO 5.2: Focus on customer satisfaction

Employees are directed by management's focus on customer satisfaction for both internal and external customers.

In contrast, ill informed, badly trained and misdirected (or not directed) employees can innocently create crises at a rate that takes your breath (and your profits) away.

Norman R. Augustine reported the law of the cross-eyed discuss thrower as: ***"He may not win many prizes, but he keeps the customers on their toes"***

The same law can apply to willing but unprepared employees. The crises they can cause by doing what they think is best, keep everyone on their toes, focused, not on the customer, but rather on undoing what has been done and limiting the damage.



WHERE ARE WE? WHERE ARE WE GOING?

In 1711, Europe experienced an investment bubble much the same way as the United States recently experienced with the dot-com bubble. That particular European experience was known as *"The South Sea Bubble"*. The following is an actual company prospectus that appeared when the bubble was at its height:

"A company for carrying on an undertaking of great advantage, but no-one is to know what it is"

Astonishing though it may seem, in an era of endless communication, many employees, in organizations throughout the country, think they are working for the people that put out that prospectus.

If an organization does not have a clear direction and its people do not know their personal goals, it is hardly surprising that the organization gets lost from time to time and its people get frustrated.

ISO 9001:2000 helps organizations avoid these risks through:

ISO 5.4.2: Planning

Planning a system that meets the stated requirements of management

ISO 5.5.1: Responsibility and Authority

Establishing and communicating people's responsibilities and authorities

ISO 5.5.3: Communication

Management regularly informs people regarding the effectiveness of the management system.

Summary

In this issue we have reviewed:

The indifference of ISO 9000:1994 companies to the opportunities offered by ISO 9001:2000

The potential for a fast economic recovery (it isn't good)

The need for greater competitiveness in order to prosper in a weak economy

Ways in which the adoption of a process based system (ISO 9001:2000) can avoid problems or, if too late, minimize their impact.

How ISO 9001:2000 helps employees become more effective and customer focused

How ISO 9001:2000 encourages an organization to establish goals, communicate these goals and give employees the awareness and skills to play a full part in the achievement of these goals.

Finally, for the ISO 9000:1994 companies that have not yet checked out ISO 9001:2000, a word from Will Rogers: ***"Even if you are on the right track, you will get run over if you just sit there"***

In the next issue, we will address the potential benefits of ISO 9001:2000 when it is too late to avoid a crisis, because it has occurred.



MAIL

We thank our readers for their helpful inputs. In future editions we will share their experiences and comments

If you would like information on QRC's wide range of support services for ISO 9001:2000 preparation or transition or ISO 9000 based performance improvement programs, please contact us at the one of the numbers listed below