

## ISO 9001 and the "science" of Management



### IN THIS ISSUE

In this edition of the Newsletter we look at ways in which the ISO team can help top management appreciate the importance of ISO 9001 as a management tool.

To aid in this task, we are comparing the requirements of ISO 9001 with current management theories.

We are focusing on this relationship between ISO 9001 and management theories because many top managers still believe that ISO 9001 is little more than a "cost of doing business".

Internal Audits, Corrective Actions and Document Control are all important activities for an ISO team and an ISO 9001 program. However, they are not the issues that make top managers sit on the edge of their seats in enthusiasm.

Many managers keenly read the latest Harvard Business Review or "The Art and Science of Management" publications, to keep up to date with the most recent management theories.

These same managers, even though they have invested in certification to ISO 9001 Standards, have often never read the Standards.

They depend on the ISO team (and hearsay) to keep them informed.

By comparing current trends in management "science" with "Figure 1 – Model of a process-based quality management system" (page vi of the ISO 9001 Standard), we hope to give some ISO teams a new perspective in their discussions with management.

***"Management's principle job is getting the herd heading roughly west"***

Lee Walton



### TOPIC 1: STRATEGY

**"Strategy: The art of devising or employing plans to achieve a goal"**

Webster's Dictionary

If you have any doubt about the importance of strategic skills, check out the number of business strategy books in any library.

Even though many of these publications are based on military strategies, and can be a hard read, they are popular because good managers need effective strategic skills.

For example, when the late Jim Cantalupo returned to McDonalds as Chairman and CEO, his innovative approach was to revamp the company's growth strategy and overhaul the menus and ambience of the restaurants.

This strategic leadership had an immediate and positive effect on an organization that was beginning to stumble.

Where does strategy fit in with ISO 9001?

The first box in the ISO 9001 model is

"Management responsibility".

ISO's general guidance to Management includes:

- Establish a vision, policies and strategic objectives consistent with the purpose of the organization

- Communicate organizational direction

- Search for new methods, solutions and products

- Encourage the involvement and development of people.

- Plan for the future of the organization and manage change

These are guidelines for the strategic priorities of managers of effective companies.

Unfortunately, ISO teams sometimes explain Management responsibility as "holding Management Review meetings."

Certification Auditors occasionally give the impression that their major concern regarding Management responsibility is: "do the minutes of the Review meetings satisfy the input and output requirements of the Standard?"

If this is how top Management understands "Management responsibility", it is hardly surprising that they often see their role in ISO as occasionally attending somewhat ceremonial, limited and generally inconsequential meetings.

There have been examples of managers leaving in the middle of these meetings mumbling something like "this is all about manufacturing".

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QRC people have attended more than a few Management Review meetings that have been a pageant of Statistical Process Control (SPC) Charts. These Charts have shown that, although things did go wrong in the period under review, they are fine now. The management in these meetings were never encouraged to ask:

“Why did things go wrong?”

”How much did it cost us?”

”Are we sure they won’t go wrong again?”

If you are a member of an ISO team in an organization of this sort, you may want to consider re-explaining to management the purpose of the Management Review.

It is an important component of the strategic planning activities of the company. It is not just an “ISO meeting” that has to take place if the company is to be certified.

If you are successful in making the Review Meetings a strategic tool, you will be far more effective in gaining management’s participation than any threats of failing Certification Audits.

**“One of my main activities is to bring people in and try to persuade them to do what they ought to be doing anyway without persuasion”**

President Harry S. Truman



**TOPIC 2: ECONOMICS**

**“Economics: The science of dealing with the production, distribution and consumption of material wealth”**

Webster’s Dictionary

When management manipulates the economics of the business, the result can be a Tyco or an Enron.

When management ignores the economics of the business, the result can be a repeat of the “dot com” fiascos.

Either way, a lot of people get hurt.

To examine the relevance of ISO 9001 to the economics of the business, we address the second box of the ISO 9001 model. This box is “Resource management”.

In managing resources, financial considerations are paramount.

One lasting myth of ISO 9000 is that it has “nothing to do with the finances of the organization”

Let’s examine why this is a myth by taking into consideration ISO statements:

“The first method for determining an organization’s success in meeting its objectives is financial measurement.”  
ISO 9004: 5.1.1

“Resources required to implement an organization’s strategies include: financial resources.”  
ISO 9004: 6.1.1

“Successfully managing an organization includes consideration of the needs of *interested parties*”  
ISO 9004: 4.1

Interested parties include: “Owners/investors (such as shareholders, individuals or groups, including the public sector, that have a specific interest in the organization)”  
ISO 9004: 5.2.1

If the ISO team has not discussed this topic with management, be aware that times are changing.

The Sarbanes-Oxley Act of 2002 has been described as: “the single most important piece of legislation affecting corporate governance, financial disclosure and the practice of public accounting since the U.S. Security laws of the 1930s”

The interested parties of Sarbanes-Oxley include owners, investors and the public sector (the Federal government).

This Act has given them very sharp teeth to use when they are annoyed.

The reporting disciplines and process approach that effective ISO 9001 systems bring to the corporate culture will be of considerable benefit as organizations respond to the needs of Sarbanes-Oxley.

**“The purpose of learning economics is to avoid being deceived by economists”**

Alben Barkley



**TOPIC 3: ENGINEERING OF PROCESSES**

**“Process: An orderly or established series of steps or operations toward a desired result or product”**

Webster’s Dictionary

A process approach should be expected in a company certified to ISO 9001 Standards. This approach is a fundamental component of “Product realization,” the third box of the ISO model.

The Standard explains its commitment to the process approach in the following words: “ISO 9001 promotes the adoption of a process approach when developing,

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implementing and improving the effectiveness of a quality management system, to enhance customer satisfaction by meeting customer requirements”

ISO 9001: 0.2

When a company is ISO 9001 certified, it is reasonable to assume that management is supportive of the process approach.

ISO 9001 is not alone in focusing on the process approach

Business Process Management (BPM) philosophies are a significant element of current management “science”.

BPM is an extension of workflow technology. It is a combination of process technologies that covers the following interactions:

- “People-to-people”
- “Systems-to-systems”;
- “Systems-to-people”.

If an organization’s leaders are keeping in touch with developments of process technologies in the “science” of management, ISO 9001’s process approach will be recognized as a perfect fit.

Unfortunately, ISO teams sometimes work in the real world of:

“Hip shooting” managers who see the process approach as an obstacle to their “creative impulses”.

“My way or the highway” managers who do not always want facts from the process approach interfering with their conclusions

“Constant change” managers who regard the continuity of processes to be a barrier to progress.

Apart from sympathy, there is often little that can be offered to an ISO team in these circumstances.

On the other hand, if the ISO team has a management that understands and supports the process approach, it can use the ISO based processes to:

- Improve organizational efficiencies
- Achieve competitive advantages
- Effectively manage costs and risks.

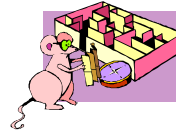
Some of the ways in which these benefits can be accomplished are addressed in other Newsletters in the ISO team series.

***“The average worker is productive only 55% of the time.***

***15% is lost to personal time.***

***30% is lost through scheduling problems, unclear assignments, improper staffing and poor discipline”***

James A. Fields



**TOPIC 4: PSYCHOLOGY**

**“Psychology: The science of mind, emotions and behavior”**

Two years ago, the Nobel prize for Economics was awarded to Daniel Kahneman, a psychologist who studied the strange ways that people perceive economic issues like “risk”.

Harvard University’s Howard Gardner, a leading psychologist, has published “The Art and Science of Changing Our Own and Other People’s Minds”, dealing with the way that people in the workplace can be persuaded to change their minds.

“Change” is the buzzword in management literature today. Change is challenging re-engineering of business processes and measurement of “value added” events as the key principle in the “science” of management.

The fourth box in the ISO 9001 model “Measurement analysis and improvement” is in step with this emphasis on “Change”.

The issues addressed in box 4 include:

Using the results of measurements of products and processes to establish priorities for the organization.

Using customer satisfaction levels and perceptions to evaluate and improve the organization’s performance

Analyzing data to determine if performance goals have been met.

Improvement is the result of change.

Change involves persuading people to do things differently, the topic of Mr. Gardner’s book

Once again; the requirements of ISO 9001 match the current “science” of management. This should help understandings between the ISO team and management.

***“When you’re through changing, you’re through”***

Bruce Barton

**QRC SUPPORT**

QRC programs that help ISO teams with the topics dealt with in this issue include:

**Universal Framework for Control of Change (UFCC)** covering topics as varied as: ISO 9000; Six Sigma and Lean Keizen

**Ombudsman services**, to help find solutions to specific problems.