

In this Issue:

ISO 9001:2000 Linkage to Cost Savings and Innovative Quality Improvement Strategy Mapping and the Balanced Scorecard

With over 560,000 global companies registered to the ISO 9001:2000 Management System and the abundant evidence reflecting its tangible success, it is always intriguing to hear Management's understanding (or lack) of this system.

Recently, I was speaking to a very successful company President whose company's stock is a rising star. We had a short discussion on the value of this business system and its potential savings. He informed me that what he knew about ISO (which was minimal) was that "the system would only slow my company down." In all fairness, many business personnel do have a difficult time defining benefits based on the requirements of the Standard, including implementation and a resulting positive financial impact. We have found that this can be attributed to a performance measurement system that does not measure critical process inputs, outputs, and resulting benefits.

The following list of ISO 9001:2000 requirements should help you and others to define requirements that can link to financial returns and increased customer satisfaction. Remember, if your documented business management system is not a profit center benefiting your bottom line, your system will continue to stagnate without improvement.

Drop us a line at admin@sustainingedge.com and tell us about the benefits your organization has received from these and other requirements. This information would be a great topic and benefit to everyone in a future newsletter.

ISO 9001:2000 Requirements With Potential Linkage to Cost and Innovative Quality Improvement

Clause/

Subclause

Requirements

4.1c	Determination of criteria and methods needed to ensure operation and control of processes.
4.1d	Availability of necessary resources and information to support the operation and monitoring of processes
4.1f	Implementation of necessary actions to achieve planned results and continual improvement of processes
5.4.1	Establishment of quality objectives at relevant functions and levels within the organization (and measurements taken to show progress towards achieving them)
5.5.3	Establishment and use of appropriate communication processes within the organization
5.6.1	Assessment of opportunities for improvements and the need for changes to the QMS as part of Management Review
6.1	Provision of resources to implement and maintain the QMS and continually improve its effectiveness and to increase customer satisfaction by meeting customer requirements
6.2.2d	Personnel awareness of the relevance and importance of their activities, specifically how they contribute to achievement of the quality objectives

6.3	Determination, provision and maintenance of the infrastructure needed to achieve conformity to product requirements
6.4	Determination and management of the work environment necessary to meet product requirements
7.1	Planning and development of processes needed for product realization
7.2.1a	Determination of specified customer requirements, including those for delivery and post-delivery activities
7.2.1b	Determination of requirements not stated by the customer but necessary for specified or intended use
7.3.2	Resolution of design inputs relating to product requirements, which must be complete, unambiguous and not in conflict with each other
7.3.4	Review of design and development process and outputs, in satisfaction of planned arrangements
7.3.7	Identification and control of design and development changes
7.4.1	Evaluation and selection of suppliers based on ability to supply product per the organization's requirements
7.4.3	Establishment and implementation of inspection and/or other activities to verify purchased product meets specified requirements
7.5.1	Performance of production and service provision in a controlled manner, including availability of descriptive information for product characteristics, availability and use of suitable equipment (including monitoring and measuring devices) and implementation of release, delivery and post-delivery activities
7.6	Determination and control of monitoring and measurement devices and their use
8.2.3	Demonstration of the ability of processes to achieve planned results
8.4	Determination, collection, evaluation and analysis of appropriate data so as to demonstrate QMS suitability and effectiveness and determine where continual improvement can be made
8.5.1	Continual improvement of QMS effectiveness

Strategy Mapping and the Balanced Scorecard

Financial measures have been used by organizations of all types as a primary measure of performance for over 100 years. Within the last decade, organizations have learned the costly way, that financial measures do not tell the whole story of business performance. Strategies and performance measures of the past are not consistent with today's business realities.

The Brookings Institute conducted a study that showed 75% of value created by many organizations is intangibles, and that organizational measures of performance are not always relevant to many levels of the organization, this includes strategies that cannot be defined into operational terms. It was also found that only one out of every 10 organizations effectively deploys strategy and that 80% of companies spend less than one hour a month discussing strategy. The reason determined for this weakness is that organizations do not possess a methodology for effective strategy identification, interpretation, measurement, and deployment.

Strategy Mapping is the process of determining objectives and means of getting there. The Balanced Scorecard (BSC) (Kaplan and Norton) is one framework that can be used for strategy mapping. The balanced scorecard has four common perspectives: financial, customer, internal business, and learning and growth. Each perspective commonly has from four to seven goals and corresponding

measures. The scorecard is balanced in that it contains elements that are short-term and long-term, financial and non-financial, and leading and lagging. A critical characteristic of a balance scorecard is that it should represent a translation of strategy.

Example: Balanced Scorecard Perspectives

Learning and Growth	Internal Processes	Customer
How do we attract and retain skilled people?	Key processes we must excel at to drive value for customer?	Who are our customers?
How do we promote and empower our employees to be creative and innovative?	Key processes we must focus on customer value proposition?	What is our value proposition in serving them? How do we add value?
How do we align and link company and employee goals and rewards?	Key processes we must improve to understand, anticipate, and prioritize customer needs	What is our value proposition with product leadership?
<u>Common Measures:</u> Employee satisfaction, internal communication, strategic job coverage	<u>Common Measures:</u> Product cycle time, on-time delivery	<u>Common Measures:</u> market share, customer retention

Components of strategy mapping include (1) financial strategies, (2) strategic themes, (3) value propositions, and (4) critical internal processes. For financial strategies, an example of an overriding strategy may be to maximize shareholder wealth, which may be attained by other financial strategies, such as maximizing revenues, productivity, and asset utilization. In setting strategic themes, the overall strategy must be decomposed from an internal viewpoint. The focus is on determining what must be done to achieve desired strategic outcomes. Strategy mapping and the balanced scorecard have many uses, for example: determining target market, communicating and understanding strategy, and detecting errors and improving strategic planning.

Cascading the Balanced Scorecard

- Allow everyone to demonstrate how they contribute to overall goals
- Create a consistent language through measurement
- Initiatives on the balanced scorecard provide a natural link to the budgeting process.
- Using the balanced scorecard, budgets are based on strategy
- Don't think of the balanced scorecard as a project to be "checked off."
- A successful program starts with the recognition that it is not a metrics project; it's a change project.
- Update the scorecards core elements regularly. Strategy is not a static process; it's a continual process.

Missed any of our Monthly Newsletters for 2004?

Visit our Newsletter Archive at www.sustainingedge.com to view past issues