

**BUSINESSEXCELLENCE,
what is to be done ?**

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Abstract

In the new millenium the tension between quality, quantity, costs and time will be stronger and management of organizations will be even more demanding. The speed of changes will remain high.

Quality management can deliver great contributions to business excellence. It can be improved in a remarkable way by applying the 2000 version of ISO 9001 which allows the integration of other partial management systems like those for environmental management, risk management or occupational health and safety management in a much easier way than before. The new model of ISO 9004 offers an excellent way for an ongoing journey to Total Quality Management. The Excellence Model of the EFQM is no longer bound only to quality issues but offers an important tool for comprehensive management systems which include all areas of management.

1. Trends

The development and implementation of quality management systems have made considerable progress since the introduction of the ISO 9000 standard series in 1987. Nevertheless, during the nineties of the last century the innovation activities were dominated by the factor "time" and not by the factor "quality". Time constraints produced quality improvements and cost reductions but the opposite happened much more seldom.

This will change in the new century. With the ongoing consumption of time reserves the tension between the four factors of the square "quality", "quantity", "costs" and "time" becomes more important. Managing all four factors in a more balanced way is asked for in the future. Better balanced management leads to even more integration of quality activities into everyones duties and to the aim for excellence..

The driving forces behind the management challenges will be

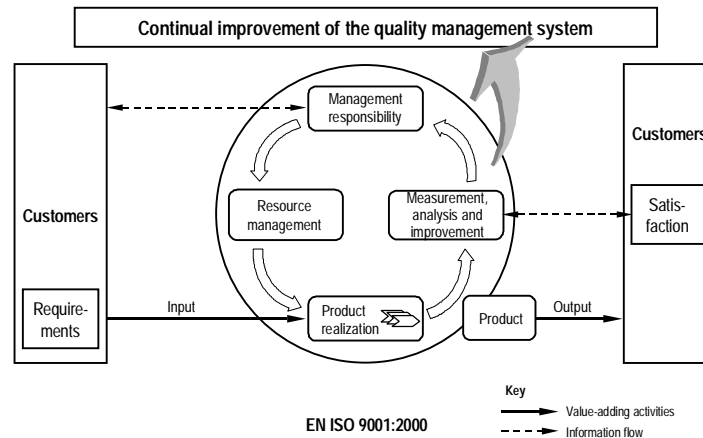
- worldwide competition
- changing working conditions through communication technologies
- international networking
- decreasing number of workers in production businesses
- increasing number in new businesses
- changing public sector through privatization, New Public Management and quality management
- in Europe, the development of the European Union

In this paper an answer is given to the question "what is to be done?" by presenting a Roadmap to Excellence which makes use of the models of ISO and EFQM /1/.

2. ISO 9001:2000 as a starting point for excellence

During the next three years quality management systems can make big progress with the application of the 2000 version of ISO 9001 (fig.1).

Fig. 1: **Model of a process-based quality management system**



Compared with the existing 1994 version the 2000 version offers a large number of important improvements which are now well known and generally accepted:

- The new standard is process oriented.
- The focus of the ISO 9001:2000 is on customers.
- The concentration on one model (ISO 9001) instead of three different models (ISO 9001, 9002, 9003) improves the understanding of certificates.
- The journey from ISO 9001 to the new ISO 9004:2000 is a big progress.
- The integration of the environmental system based on ISO 14001 is easier.
- The step from ISO 9001 into excellence models is much easier

Considering these positive factors, my recommendation for all certified organizations is to treat the switch to the 2000 version of ISO 9001 with a very high priority within their programmes of corporate development.

Despite of such positive factors, some dangers do exist which are strong and may have as a result that in the longer future ISO 9001 and the certification schemes will fail. It is already true that in some sectors suppliers can only survive if they are certified. This happens for the suppliers of the automotive industry and also in other branches like the building industry. If the use of 9001 and the certification becomes a must more and more companies will consider quality management as a necessary requirement or even a necessary evil and not as a success factor. As a consequence they might keep their quality related activities at a minimum.

The number of competing certifiers is increasing constantly. Certifying has become a business. Due to the competition between the certifying organizations the quality of certificates is decreasing. This reduces the reliability of the certificates and destroys their real value.

To avoid the destruction of certificates in an open market of certification it is necessary to have some formal regulation, generally named accreditation schemes. Unfortunately, they are operated on a national basis and are – in my experience – still not effective in a global market. There is little evidence that accreditation authorities have forced poor certifiers to either get out of the market or increase the quality of their work.

As long as these negative influences are in action the danger of destroying the importance of standardized models for quality management and the certification which is based on these models still exists. In my opinion a joint effort of recognizers of certificates (government authorities, customers), of owners of certificates (suppliers, organizations) and of certifiers is necessary to overcome these difficulties. If these efforts are not successful I fear a draw-back into the age of company individual requirements and audits. This would damage the progress in global markets and create an unnecessary multiplication of audits and requirements.

1. Integration of Partial Management Systems – putting tasks together

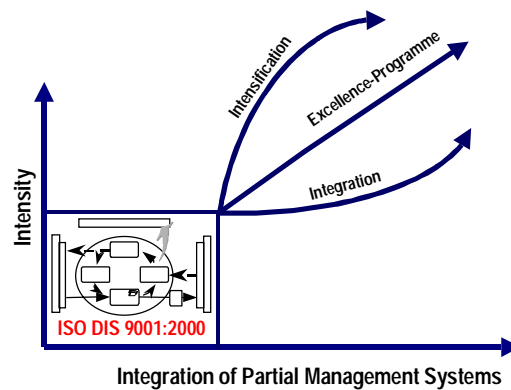
There is a trend to develop formal models for partial management systems, like management systems for environment, occupational safety and health, risks, social accountability etc. Standards for partial management systems are in existence in addition to already installed informal partial management systems for areas like finance, information , personal etc..

Generally, the partial management systems are isolated with conflicts in the contents, with duplications of activities, using different terms. To improve their effectiveness and efficiency they should not remain as standalones. With the integration into a more comprehensive total system the disadvantages could be avoided and synergy would be created. Synergy by improvement of communication among the different departments, by better cooperation, by working in processes and not only in functions.

ISO 9001 offers an effective process model which forms an excellent basis for the integration of other requirements. The integration is one essential path of my Roadmap to Excellence (fig.2) .

Our research results show that principally there are three different ways to integrate partial

Fig. 2: Roadmap to Excellence of Management Systems - 3 Pathes



management systems /2/, /3/. We named them “addition”, “merger” and “integration”.

4. With ISO 9004:2000 to Total Quality Management

In sectors under hard competitive conditions companies have to become better to improve their competitive situation. That means to fulfill customers' needs and expectations better than competitors do, to reduce time in order to become quicker, to reduce costs in order to offer better prices and to increase quantities quickly without loose of quality. The improvement can go on in small steps as continuous improvement. It can also make big jumps by reengineering.

For this purpose they have to intensify their management activities which means a second path of the Roadmap to Excellence (fig.2). With an installed ISO 9001:2000 system as starting point the new ISO 9004:2000 offers an excellent model for intensification. As a consistent pair ISO 9001 and ISO 9004 have the same structure and the same terminology. Without conflicts in contents ISO 9004 contains the requirements of ISO 9001 and adds recommendations to gain impressive improvements.

In using ISO 9001 and 9004 one must be aware that the two models have a different character /4/. The 9001 is a so called “good enough”- model which defines minimum requirements for quality management systems. The 9004 has changed its former character from a guideline into a real model. In contrary to 9001 the 9004 is a “better and better”- model which offers help to develop a management system out of the minimum requirement status into a total quality management sphere. Therefore, companies that wish to intensify their quality management efforts can use the new ISO 9004 as a compatible model for improvement of their existing ISO 9001 system.

When applying ISO 9004 companies have to measure progress. This is normally done by internal audits. Within one audit the conformity with the 9001 requirements and the progress with 9004 can be analyzed and areas for improvement can be discovered. Such audit reports can describe the current status and become an important source for the management review.

In addition third-party-audits are also possible if companies wish an independent measure and evaluation of their progress. Third parties bring in their broad experience and can do some form of benchmarking based on ISO 9004. These audits usually include the verification of the conformity with the ISO 9001 requirements. In one step certificates can be confirmed and the progress of the management system can be evaluated.

The recommendation to do auditing on the basis of ISO 9004 cannot be given without a strong warning. It would be disastrous to create new certificates for ISO 9004. Why ?. For such certification an internationally calibrated quantitative scale for ISO 9004 scoring would be necessary and the minimum number of scores for the certificates must be defined. The experience with assessments schemes for excellence models and with accreditation schemes for certifiers shows that the calibration is very difficult if not impossible. Defining a certain number of points as the level of an ISO 9004-certificate, would destroy the basic scope of the ISO 9004 as a “better and better”-model. If one fixes a certain level as being sufficient, the aim for constantly increasing the intensity of a quality management system would be lost. ISO 9004 means a never ending journey towards

total quality management.

I finish my warning asking all parties concerned to use ISO 9001 and ISO 9004 as models in the way as they are intended by their authors. ISO 9001 is a solid base for contracts among partners and for government regulations. Its certificates are of high interest for the organizations themselves, for their suppliers, for their customers, for state authorities, legislative organs and the community in large. ISO 9004 is a model for an ongoing journey to improve quality management systems starting with the minimum level of ISO 9001. It is dedicated to the organization itself and not for the outside world.

5. Aim at Management Excellence

The strive of an organization for integration of their partial systems and for intensification can be combined in striving for excellence in performance and business results. This is a third path of the Roadmap to Excellence (fig.2).

Helpful models are available from the TQM or Excellence Award schemes like the European EFQM Excellence Model, the American Malcolm Baldrige National Quality Award, the Japanese Deming Prize or the recently issued Japanese Quality Award model, the South-African Business Excellence model and the Australian Award.

All these models are updated from time to time. In greater intervals they are also redesigned. Such a redesign happened with the EFQM Excellence Model (fig.3) in the period from 1996 to 1999.

The improved model was issued in April 1999 and forms the basis for the award process in Europe since 2000.

The improved model does no longer focus only on the philosophy of TQM. It allows the users to define their own philosophy based on eight fundamentals. Compared with the former model of EFQM the improved model contains the following progress:

- All important stakeholders of an organization not only customers are addressed, even when customers are the most important one.
- Any form of partnership like joint-ventures, joint-developments, cooperation in the market, joint training activities and of course supplier-customer-relationships are included.
- There is a learning cycle built into the model, starting with the evaluation of the enablers and results going into a learning process and into innovation projects.
- Knowledge management with the knowledge of the own employees and the knowledge which can be provided from outside sources is a new element of the model.
- Evaluation processes were made much more systematic by introducing the RADAR logic which starts with the definition of targets, continues with the development of an optimal approach and its deployment, goes on with the evaluation and review of systems and results and starts again with the definition of new targets.
- The improved model and the versions 2000 of ISO 9001 and 9004 are compatible / 5/. This makes it easier to develop a system from the status of ISO 9000 with the help of ISO 9004 into the sphere of excellence.

The improved EFQM Excellence Model is structured into three levels: The top level

with the criteria and the second level with the subcriteria contain fixed elements which have to be considered when the organization is striving for excellence. The third level with the areas to address is completely open and its content should be defined by the company itself. The company also should fix the weights of the nine criteria and their subcriteria.

Using these opportunities of the model the company can create its tailor-made management system with the benefit of a model which is well known, which allows benchmarking with other users of the model and which is proven. Unfortunately I have to say that according to my observations these opportunities are not used in an optimal way by the industry. Many companies still restrict themselves too much to the published version of the model.

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