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CONCURRENT SESSIONS
KEMPINSKI HOTEL CORVINUS

Tuesday 13:30 – 17:30
Erzsébet tér 7-8, Budapest V.

REGINA BALLROOM III.   Tuesday 15:30 – 17:30

12.2. MANAGEMENT OF QUALITY OR QUALITY OF MANAGEMENT II.

Session Chair: *Asbjørn Aune*, *Norwegian University for Science and Technology, Norway*

16.20   **How to Improve the Quality of Top Management's Processes Using the Mechanisms of ISO 9000 Standards**
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Mičo Jančev graduated from Mechanical Engineering at an aircraft engine group at Belgrade University and post graduated from Management at Faculty of Economics at the University of Sarajevo. He worked as an aircraft engineer, production manager and IT (Information Technology) manager. In1990 he was one of the founders and an executive manager of the innovative private company COPIS in Sarajevo, where the knowledge had been accepted as a foundation capital. From 1996 to 1999 he worked for Slovenian Insitute of Quality and Metrology (SIQ), Ljubljana as Project Leader for quality systems. In the meantime he attained Lead Auditor diploma from the British Standards Institution (BSI) and participated at the EFQM Assessor Training Course for the European Quality Award.

In the last 30 years he led over 300 problem-solving workshops, seminars and lectures about the advantages of using a modern IT technology, Quality System and ISO 9000 Standard, TQM and Business Exellence. At the same time, in the European Union he managed more than 50 projects from different spheres (Strategic Planning, Analysis and Design of Business Systems, Organizational Development, Computer Aided Manufacturing, Quality System and ISO 9000 Standards implementation and the aircraft industry). His bibliography includes a couple of scientific and professional papers and articles published in some international Congresses and Conferences, as well as in scientific newspapers. He is one of the founders of Bosnia-Herzegovina Quality Association and today he is one of its vicepresidents.

HOW TO IMPROVE THE QUALITY OF TOP MANAGEMENT'S PROCESSES USING THE MECHANISMS OF ISO 9000 STANDARDS

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Abstract
Implementing a modern quality management system is not a simple task. This is a process of implementation of new values in an organization and changing the organizational culture. The role of top management in this process is very important. The solution could be found in an indirect way. First of all, we have to define management in and through its tasks. To achieve this, it is extremely important consistent application of the principle of Leadership, a creative application of the principles Involvement of people and Process approach, as well as a profoundly insight into definitions of the terms "product" and "process". The aim of this paper is to contribute to more effective use of ISO 9000 standards as part of the managerial tool-box.

Key words:
ISO 9000 Standard, Quality Management, Management, Leadership, Product, Process, Paradigm

1. INTRODUCTION

> *The coming world is totally different from the world we know from before and even from the world we still live in.* (Peter Drucker)

Constancy of changes is the most global characteristic of life in the transition to a new millennium. No one can stay indifferent not only to magnitude of the changes but also to the tremendous speed at which they have taken place in recent years. Dramatic progress and penetration of information and communication technology into almost all areas of human activity leads to great changes in communication, working, production as well as doing business. This means that assumptions that were valid yesterday can become invalid or even totally misleading today [8]. The question is how the organisations and individuals can not only survive but also live and work better when faced with these changes. The essence of the problem is to find an effective weapon to get over "organizational chaos" and to use this weapon in everyday battles. [19]

In 1987 the Internal Organisation for Standardisation (ISO) launched the first comprehensive international Quality Standard. Certainly, a modern quality history does not begin with the emergence of the ISO 9000 standards, but their impact on development the quality has been extremely high. In the eighties, a key management problem was how to master the internal processes of the company. In this respect ISO 9000 standard was very helpful, because it contributed to improving the internal arrangement of the company, creating real preconditions for success in the market. However, when the changes and globalization become key characteristics of each business, the existing ISO 9000 standard was not able to meet new demands in the changing business environment. The new version of ISO 9000:2000 offered better chances for more successful coping with the existing situation. The essence of the ISO 9000:2000 series is a results-oriented approach in which the standard is not the objective, but the tool to reach objectives. Therefore the role of top management in the process of introduction of a Quality Management System becomes very important.

2. ISO 9000 STANDARDS: DELUSIONS AND PROBLEMS

> *All organisations are perfectly aligned to get the results they get.* (Arthur Jones)

ISO 9000 standards were developed based on requests and needs of manufacturing companies, so their original structure reflected the general functions of the company which are attached a series of "system" elements, such as corrective and preventive actions, internal audits, etc. It is well known that

the standards used to develop the original ISO 9000 series were born out of the defence industry where there was a long tradition of command and control. As a consequence, ISO 9000 followed the same pattern of imposing requirements to prevent failures despite the fact that experience has shown this method to be unsuccessful in ensuring good product quality. Add to this the fact that the greatest motivation for the introduction of ISO 9000 was caused by external excitation (certification required for export, etc.), it was logical that such a system has been maintained by artificial means, with a large dose "infusion" in the form of consultancy services from outside [24]. During the time, internal arrangement of the company has become a necessary but not sufficient condition for success in the market. It was necessary to find enough time to monitor and analyze the relevant processes in the external environment, which would reduce business risk.

The revised version of the ISO 9000:2000 series was released on 15 December 2000. The primary motivation for the changes has been to move organizations further towards business excellence, providing guidance that will enable them to achieve sustained success. The ISO 9000:2000 series represents a fundamental change in intent, direction and approach. But, at the same time, the 2000 version makes designing a quality management system a more complicated affair. The user is forced to stand back, analyse the overall situation within the organization and to evaluate how the standard can serve it. Quality management initiatives should now be based on eight Quality Management Principles that encapsulate the essence of good quality management [2;3]. These principles are deeply involved in all requirements of ISO 9001:2000.

Following the development of the quality movement in the world we can notice that quality management system standards are being increasingly recognized as best practice guides. However, in many situations, the reality is quite different. A casual review reveals that a significant proportion of these expectations and benefits do not always deliver on their initial promise. In this way it appears evident that the ISO 9000, sometimes, become a problem instead of a solution of the problem. So, one question arises: Does ISO 9000 certification pay? Some argue that the standard is too generic to lead to genuine improvements. Others dispute these assertions, claiming that the ISO 9000:2000 series provides the basis for a management system and that a quality management system is the means for an organization to fulfil its purpose and mission. [24;28]

Over time, the initial enthusiasm of the top management for the introduction of modern quality management systems has run out. One of the reasons for the decline of top management interest and consequent degradation of the TQM vision, according to T. Conti [14] was the sharp increase in number of quality consultants, attracted by the new business of quality and ready to ride any new fad, instead of educating customers to make the best choices for their companies' long-term performance. The result was that, little by little, the companies' top executives returned to the old mentality whereby quality is a matter for specialists that does not imply their direct involvement. In this way, little by little, the organizational transformation that was supposed to be the core of the new management philosophy was postponed, moved to the background and almost forgotten.

3. TOP MANAGEMENT AND QMS: SOME IDEAS AND SUGESTIONS

It is not enough to just do your best or work hard. You must know what to work on.
(W. Edwards Deming)

ISO 9000 standards are the first step on the way to TQM and business excellence. In the creative application of standards, it is important to see them from different perspectives: (1) from the standard's requirements; (2) from the organization; (3) from the customer; and (4) from the quality auditor's side. [24] Certainly the most important is the angle from the organization side. Therefore, when modern quality management systems are introduced, the first thing that needs to be improved is people's competence. That is much more than explaining *how* to apply certain quality tools, but, first of all, explain people *why* all that is necessary. That is the way for improving quality of people's relations in organisation and their interconnection, which leads to increased desire for work and self-confirmation as the greatest human motivator. [1;20;25]

The author recognise managers as the first line of a competent persons who are able to solve, in a most efficient and effective way, top-level problems of their business (organization) [19]. The solution that the author suggests could be found in an indirect way. To realize that, top management needs to do some serious spadework on three fronts. First of all, we have to redefine management in and through its tasks. According to Peter Drucker [8], the task of management is *"to make people capable of joint their performance, to make their strengths effective and their weaknesses irrelevant"*. Second, it is extremely important for managers to equip themselves with *quality knowledge*, which will primarily help them to strengthen their own *management ability* to survive under the most severe conditions and, as a next step, to get to grips with any problem, taking the decisive advantage – *knowing the problem*. [21;28] Third, top management have to recognize the new standard *principles* and their *relationship* with *management philosophy* and *requirements* of the ISO 9001:2000 standard. At the same time, being actively involved into the problem-solving process, managers became more quickly aware of the possibilities offered by QMS. In addition, it is important to emphasize one of the core values of successful organizations: behind an effective quality management system is a strong (powerful) management system. [6]

After that, it is necessary to give an answer to the next questions: (1) *What are the key top management's products, i.e. the key top management's processes?, and (2) How to improve the quality of the top management's processes?* To achieve this, it is extremely important consistent application of the principle of *Leadership*, much more than it is explain in ISO 9000 standard. [28] It is clear that setting the mission is top management's responsibility. But, mission and values – these two terms have got to be among the most abstract, overused, misunderstood words in business. *"People in business talk a lot about mission and values, but too often the results is more hot air than real action",* as Jack Welch vividly explains the problem. [10]

Speaking with the ISO 9000 language, a creative application of the other principles, especially *Involvement of people* and *Process approach*, as well as a profoundly insight into definitions of the terms "product" and "process", by using the mechanism related to the responsibility, authority and communication, may help us to solve an existing and huge problem – the lack of the top-management's time. The point is in delegation in the wider sense than appointing a "management representative". *"Delegation, understood in a such a way, underpins a style of management which allows your staff to use and develop their skills and knowledge to the full potential. Delegation is primarily about entrusting your authority to others. This means that they can act and initiate independently; and they assume responsibility with you for certain tasks."* [7] In this way, free of the jobs that they take away valuable time, a top-management could devote more time in solving problems that are exclusively within their jurisdiction, and which will directly contribute to the enhancements of quality of their "products" (as a *"result of a process")* and "processes" (as a *"set of interrelated or interacting activities which transforms inputs into outputs")*. However, there are managerial functions that you should never delegate, advises Gerard Blair, and they include: motivation, training, team building, organization, praising, reprimanding, performance reviews, and promotion. [7]

4. MANAGEMENT AND LEADERSHIP: A NEW PARADIGM

> *We live in a Knowledge Worker Age but operate our organizations in a controlling Industrial Age model.* (Stephen Covey)

Evidently, changes make a lot of problems, but at the same time, they are a great challenge for everybody. We live in an environment where the accepted paradigms are subject to constant challenge. What is becoming clearer is that the critical change imperatives are neither technological nor economic but are part of a new philosophical approach in the way we think, act and create harmony and synergy in our society as a whole. [17;19] Besides the hard variables such as technology, systems and structures there are the softer issues such as relations, attitudes and organisational culture that need to be addressed as well. In other words, technology economy and society are an interacting system, i.e. there is a tight connection between them. The interrelationship between the technology and the social

systems has always been recognized as a major problem in organizations. Traditional management theory gave little consideration to the ways in which technology affected the psychosocial system. Mismatch between the organization and the related management models progressively increased, negatively impacting company performance and state of health. [14]

It is the fact that the "social universe" has no solid rules like "natural laws". There are a lot of assumptions and different paradigms, but they are not something to be fixed or generally valid. On the contrary, the assumptions and paradigms from the area of social science are subject to continual changes [8]. Some among the most innovative minds in organization and management have recognized the need of a paradigm shift. David Nadler [14], addressed the issue of how to design organizations to face the new continuously changing environment. Sumantra Goshal [14] advocated the need to change the role of managers, by changing the management paradigm from "Strategy-Structure-Systems" to "Purpose-Processes-People". According to Laszlo [14], intensity and quality of internal and external relations, not the organizational charts, speak about organizations' effectiveness and efficiency. Management thinkers have been heralding new models of leadership for some time. *"We are fond of asserting that 'command and control' is out, replaced by distributed leadership, empowerment, knowledge networks, and a premium on lending meaning to people's work. But in practice these ways of leading are still viewed as indulgent"*, asserted Herminia Ibarrara [15]. Maybe in this direction it is worth to think about Covey's explanation for the new reality [11]: *"The main assets and primary drivers of economic prosperity in the Industrial Age were machines and capital – things. People were like things – you could be efficient with them. The new Knowledge Worker Age is based on a new paradigm – the Whole-Person Paradigm – entirely different from the Thing Paradigm of the Industrial Age."*

Everybody agrees that people are the most important resource of each organisation, however, it is undisputable that it is the least exploited resource. But, in a time when innovation and creativity are paramount requirements for success, according to Gallup research, 60 percent of all employees show up to work physically but are checked out mentally [13]. The pressing questions, then, are: *Can we provide hard evidence of the benefits of „soft" leadership?,* and *Why is all this important?* In order to use this extraordinary resource of human potentials, it is necessary to recognise the so-called "hidden knowledge" present in the heads of employees at all levels. *"It need not be re-created; it is only necessary to remove the obstacles for its free circulation within an organisation"*, recommended P. Drucker. [8]

5. CONCLUSION

Above all management is responsible for producing results. (Peter Drucker)

Maybe in this direction one should take into consideration personal experience of Tito Conti [14]: *"It is time to care about the organization. Organizations are not mechanistic systems. Lack of balance between the socio-cultural and technical aspects of the organization is at the root of many big problems that we face today. Applying the latest and most sophisticated management or ICT tools to companies, or public administrations, is often like applying a new patch to a frayed cloth: it widens the tear. Most companies need more than patches: they need rethinking of their organizations. Awareness that management paradigms need deep changes starts to diffuse."* By the way, it is worth keep in mind the suggestion of Joseph Stiglitz, the winner of the Nobel Prize in economics: *"There is a saying that old ideas, no matter how thoroughly discredited, die a slow death as, one by one, their advocates pass away."* [16]

Quality management standards are not immune to the so-called "cultural factors" of individual countries, regions, and even companies. But the impression remains that some problems and dilemmas arise from some subjective reasons and personal experiences of the people who are too burdened with the traditional way of understanding quality as a technical category [22;26]. Until the introduction of ISO 9000 is motivated by external causes, and left to people who are professionally engaged in quality, ISO 9000 will be a problem [24]. The moment when the top management, which has chronic problems with lack of time manages to find time to actively participate in the project, the chances of

success becomes certain [24;28]. In connection with this, it is worth to consider suggestions P. Drucker [9], which is very precise when talking about the effectiveness of executives: *"Knowledgeable executives are plentiful; effective executives are much rarer. But executives are not being paid for knowing. They are being paid for getting the right things done."* Effective implementation of quality management standards in the organization is, without doubt, one of these "right thing".

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