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"Navigating Global Quality in a New Era"



June 22, 2011 (Wednesday) 55th EOQ Congress

CONCURRENT SESSIONS
KEMPINSKI HOTEL CORVINUS

Wednesday 8:30 – 10:30
Erzsébet tér 7-8, Budapest V.

SALON BANDINI/MARZINO

Wednesday 11:00 – 12.30

16.1. ACCREDITATION AND SUSTAINABILITY

Session Chair: *Thong Ngee Goh, University of Singapore, Singapore*

12.00 Two Models – One Journey to Sustained Development
Viktor Yagodzinskyi, TUV Nord Ukraine Ltd., Ukraine

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Finished Kiev Polytechnic Institute and Moscow Institute of Oceanology.

Later he became auditor according to EN 45010 at the National Accreditation Agency of Ukraine, expert in QMS Statistics and HACCP Manager. He also has practice in EMS (Environment Management Systems) audits according to ISO 14001 and EMAS. He developed and audited Quality Management Systems according to ISO 9000. Present position held: Director of the Personnel Training Centre, Ukrainian Association for Quality. He is EOQ Quality Auditor. He provides training courses for quality and environmental systems managers and auditors. His further qualifications: e-building integrated management systems, QMS audit, benchmarking. He is Project Manager of the Ukrainian –German project according to TRANSFORM program.

Two Models – One Journey to Sustained Development

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«Even the most remarkable business - model is insufficient. The own unique strategy is needed »
— the article in Harvard Business Review¹

Introduction

The United Nations Global Compact Model (GC) is widely used for strategy of organization sustained development of any size and branch activity:

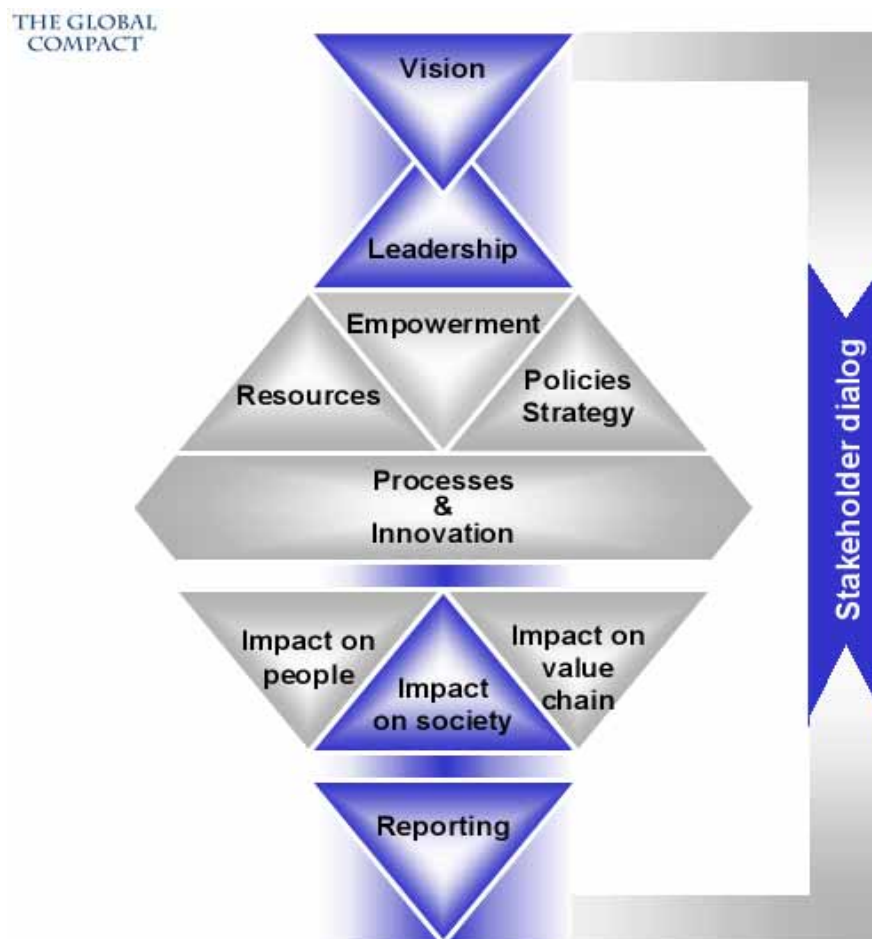


Fig 1: Global Compact Model²

This working model is a universal platform for stimulation of innovative initiatives and business partnership of a company, government and all other interested parties (Stake Holders). The simulation model is understood as the system of rules, practices and facilities for achievement of the strategic targets. It's generally accepted 10 principles³ express higher interests of Humanity to the business structures separately taken. It allows realizing of self-improvement possibilities on the basis of SH dialog.

The author [4] determined, that corporate social responsibility (CSR) is the key link that connects GC 10 principles and 7 tendencies for achievement of organization sustained success according with ISO 9004:2009 recommendations. This paper estimates the achievement of sustained development as possibility to satisfy successfully to requirements and expectations of all interested parties involved, including World society:

$$\text{Sustained Development (SD)} = \text{Sustained Success (SS)} + \text{Self-Improvement (SI)}$$

Sustained Development Model

The long-term process of results constant improvement may be presented as getting up on the stages of maturity to the top of sustained development:

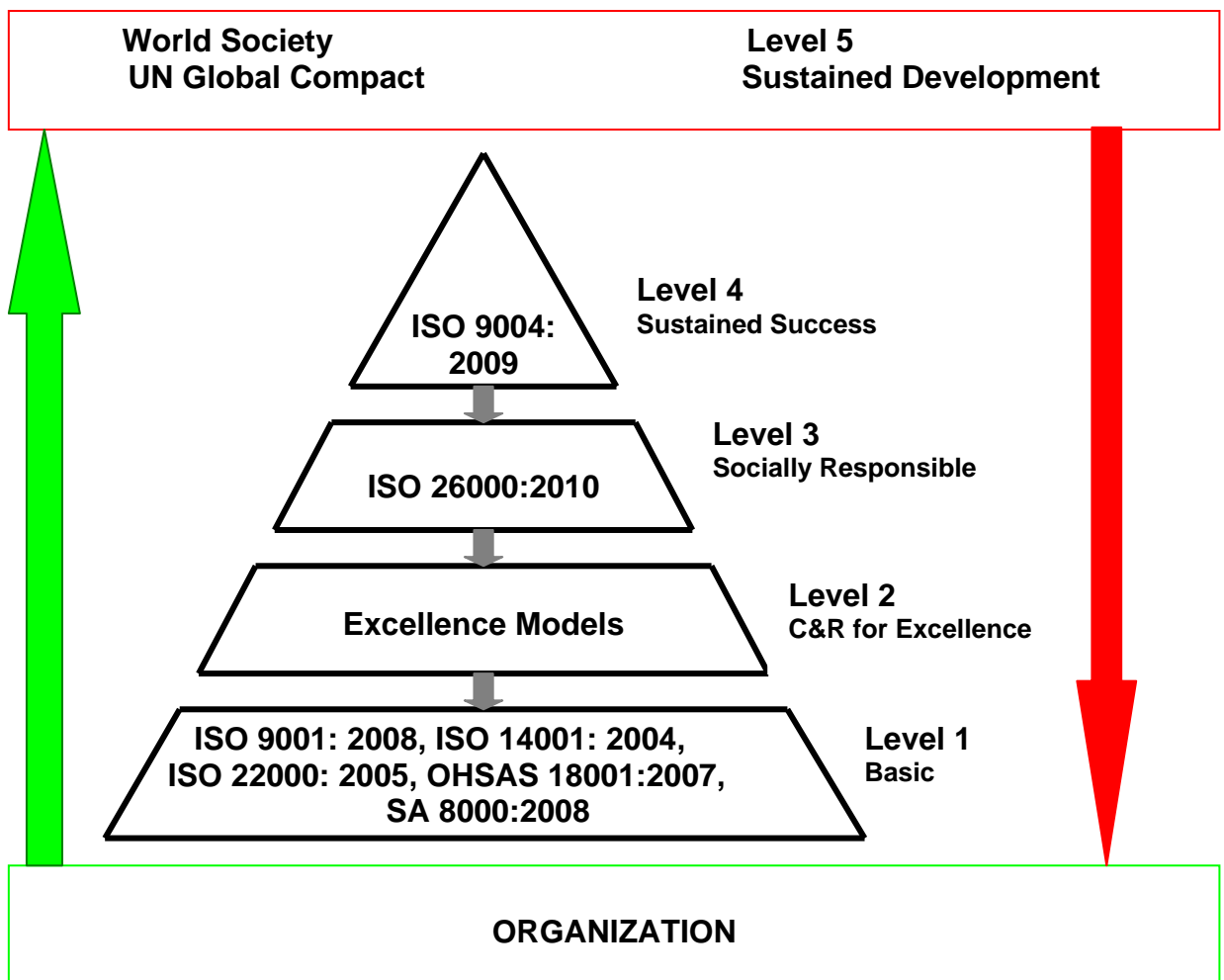


Fig 2: The Model of Organization Maturity Levels

For the organization, foremost, the creation of favorable surrounding terms of business environment is important. It is formed under the influence both the state and society as the business communities and organization. Forming of internal organizational environment and the embodiment of favorable tendencies would be realized usually by application of separate standard management tools. ISO standards, containing both requirement and recommendation on the development of the different management systems, and excellence models also, behave to them.

According to traditional approach the organization proceeds to development of the management system (MS) to meet requirements of some base standard with the purpose of certification (see **Basic Level 1**, fig. 2). The special role on this stage of works belongs to the top management of organization, when making decision to start MS development. Proceeding to the system development, a top management must expressly imagine not only obvious benefits from SM implementation but evaluate also potential risks, scale, complication and uptime. It is important to estimate the level of the managers and specialists competence for successful implementation of this work, to define expedience of external consultants including in the development team.

In our consulting practice some cases took place, when organization had started journey to the quality commitment in accordance with an excellence model. The EFQM Excellence Model is widely used in European business practice to improve competitiveness. The tournament on the basis of EFQM Excellence Model is one of the most modern management tool that actively in-use by leading European enterprises and organizations. EFQM Excellence Model of 2010 version describes an “ideal” enterprise comprehensively according to the best European practice. It specifies the possible ways to organization for getting up to the next **Commitment and Recognition Level 2** (fig.2). Unlike a certification process on the standard requirements meeting within the framework of which organization gets the accordance estimation only, a numerical estimation of organization on certain criteria formulations of strong and improvement areas appear along with at the 2-nd maturity level.

Conscious adherence to voluntarily application of any management tool allows organization to move up from a top to bottom confidently and purposefully, arriving at consistently different levels of maturity. The next one is **Socially Responsible Organization Maturity Level 3**. At this level (fig.2) organization takes into account interests of society, undertaking responsibility for influence of their activity on customers, suppliers, personnel, shareholders, local associations and other interested parties, including environmental aspects. This obligation is beyond of the legislation obligations that set by a law. In this case organization voluntarily accepts additional measures for upgrading staff and their families’ living standards, also local association and whole society surrounding conditions. International standard ISO 26000:2010 is most «overhead» in the system of standards, providing corporate social responsibility for all SH: business, power, employers, public organizations, customers, etc:



Fig 3: Corporate Social Responsibility

There are linkages between the UN Global Compact's Ten Principles and the core subjects of social responsibility defined by ISO 26000: human rights, labour practices, the environment, fair operating practices, community involvement.

The ISO 26000:2010 standard of voluntarily application is not intended and does not suit for the aims of certification, obligatory or contract application. It also is not intended for creation of tariff barriers in trading and changing of legislatively certain obligations of organization. Moreover, it is not intended in an order to make the proper basis for law acts, complaints, appeals to a court or other statements in any international, national or other trials within the framework of ordinary international law. It is recommended organization to promote the level of the social responsibility, applying this international standard, including expectations of the interested parties, with regard to observing legislation, and also comporting with the international codes of conduct. It should be noted that application of voluntary initiatives and social responsibility tools prepares the basis for sustained development of organization.

The standard ISO 9004:2009 provides guidance for the sustained success of an organization on the basement of quality management approach. The sustained success of an organization is achieved by its ability to meet the needs and expectations of its interested parties including the world association (**Down – Top Green Line**, fig. 2). Following recommendations of the standard, organization gets possibility of «undercutting» on the higher level of maturity up to **Sustained Successes Level 4** without expensive certification and supervisory audits or payment of external expert estimation services according to excellence the models.

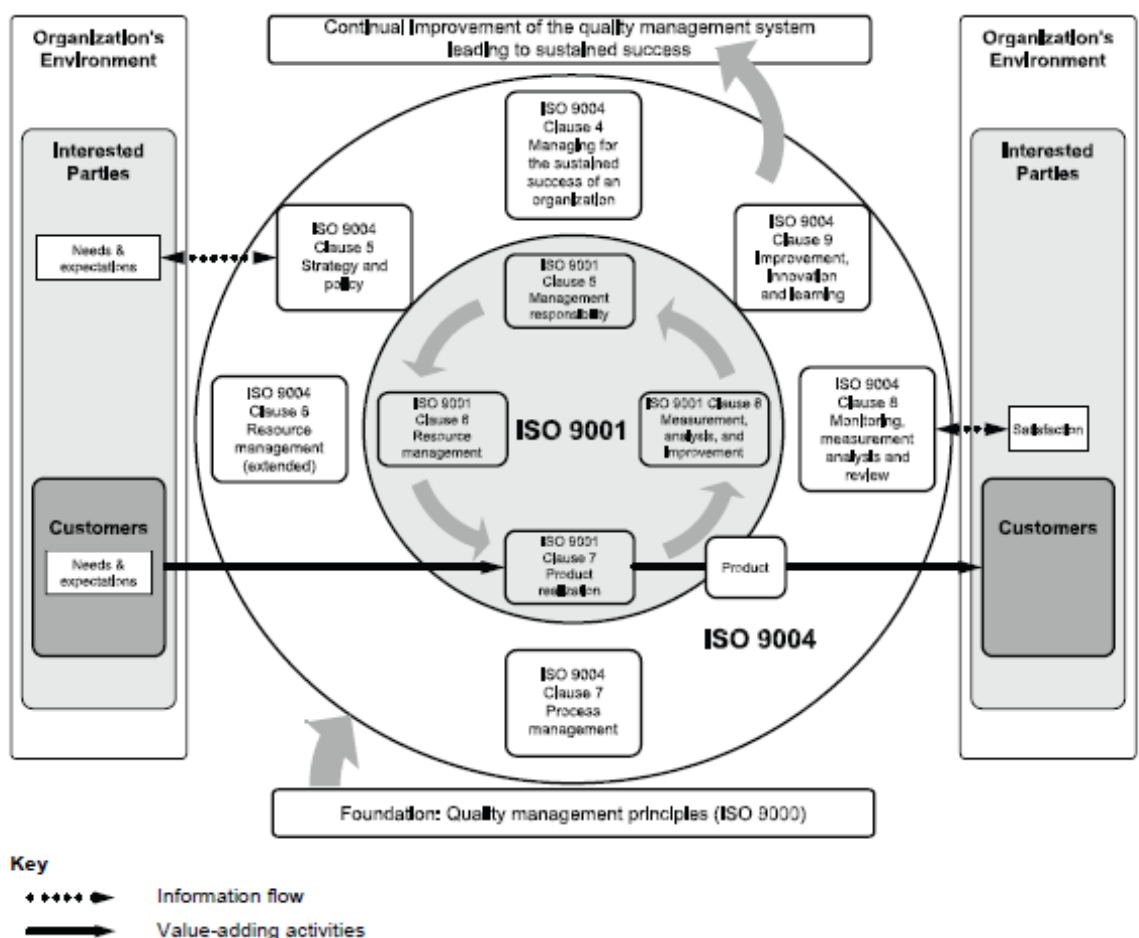


Fig. 4: Extended Model of Process Oriented QMS⁵

Self-Improvement Tools

Analyses of strong and weak areas, a self-assessment are the key elements of the strategic planning process in any organization

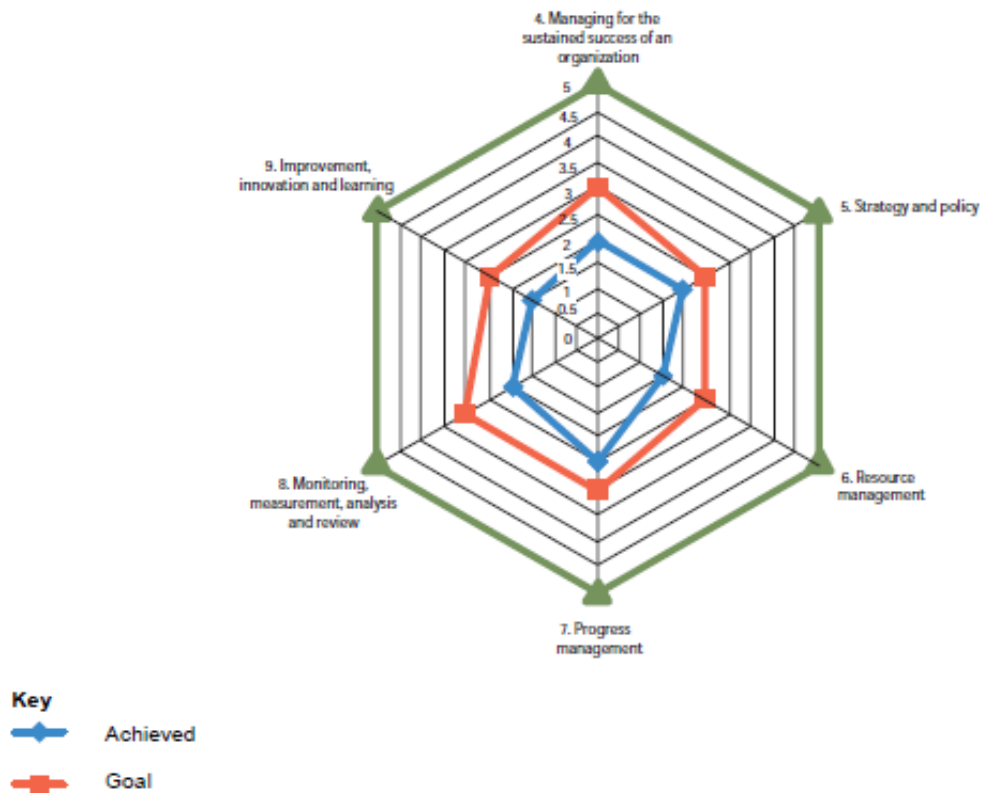


Fig. 4: Example of Self-Assessment Results⁵

ISO 9004:2009 supports organizations to promote quality of commodities and services for the users by leading through the self-assessment as important tool, allowing organizations:

- to execute the comparative analysis of organization maturity level (Benchmarking), including guidance, strategy, resources and processes management
- to define the strong sides and areas for improvement
- to define possibilities for improvements and innovations

Improvement activity is possible to conduct starting from permanent incremental improvements on workplaces to the considerable improvements of organization internal environment. In fact, the ISO 9004:2009 standard gives organizations methodology for the promotion from the attained level of maturity to higher one. It formulates «bottom-top» approach on its way of business excellence. It follows organization should define improvement targets for products, processes, structures on the whole and separate management systems by analyzing of disposal data.

The UN GC Model is the system governs practices and facilities for forming of favorable external organization environment. Efficiency of its application in organization may be arrived at due to optimization of entrance influences and resources, allowing to get the best results in the most short-story time. The GC model is aimed at satisfaction of queries of wide circle of business structures, both SME and large multinational corporations. It should be remembered that a determinative and most essential entrances of GC Model are Vision and Mission of organization.

When the Vision of organization is developed in accordance with Global Compact principles and with provision of Stakeholders dialogues the management system obtains strengthens in organizational structure, marketing, personnel, information, corporate culture etc:

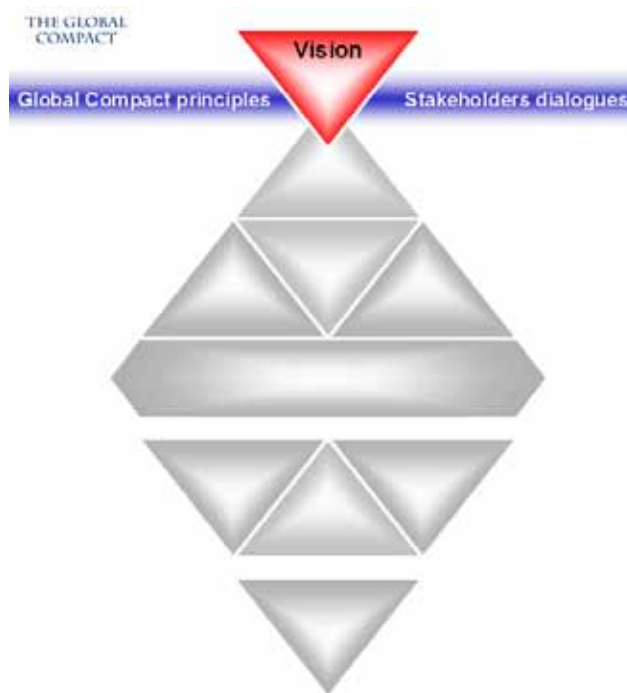


Fig. 5: Vision Development

The corporate sustainability management process starts anew when the company translates feedback from stakeholders into actionable ideas. Leadership should consider these ideas as it repeats the cycle of recommitting. It can rely on these ideas to inform its efforts to reassess risks and opportunities and set the strategy planning and execution process in motion once more, as it seeks to continuously improve its performance over time. It results in the formation of a good performance zone for organization:

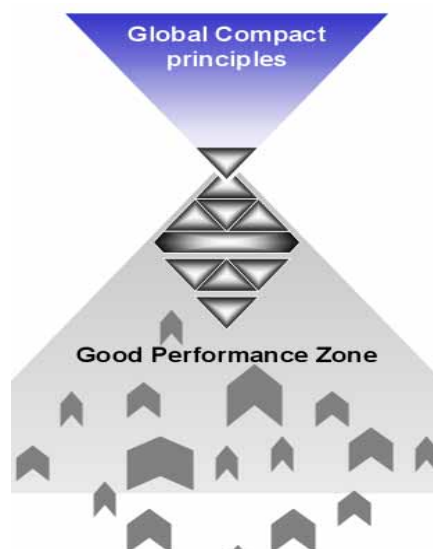


Fig. 6: Performance Zone Formation

This performance zone shares the market for specific privilege business customers which are showing a preference to purchase from companies that are actively pursuing corporate sustainability initiatives. In a turn it results in specific work environments. Employees are becoming more interested in working with company that provides healthy and sustainable work environments. The company that has embraced corporate sustainability will be able to shape, not just adjust to, new regulations and capture new growth opportunities.

10 Global Compact principles are the scope requirements of world society (United Nations Organization) to business communities and methods of the civilized business performances (**Top – Down Red Line**, fig.2). The objective of Global Compact model is to align business performance with the Global Compact principles. The model is a system of rules, practices and means to achieve the set of results. The performance is a minimum of inputs and efforts to achieve the best results in the shortest time. This Model addresses the needs of the broadest group of business: transnational and small companies, developed and developing economies.

Conclusion

Regular self-assessment with the combined using of ISO 9004: 2009 methodology and GC Model tools support changes of external and internal organization environments under a cross-coupling on each other. In a turn the company get possibility not only to correspond the changing terms of external organization environment but also render affecting its forming.

The corporate sustainability management process starts anew when the company translates feedback from stakeholders into actionable ideas. Leadership should consider these ideas as it repeats the cycle of recommitting. It can rely on these ideas to inform its efforts to reassess risks and opportunities and set the strategy planning and execution process in motion once more, as it seeks to continuously improve its performance over time. The road to achieve alignment with the ten Global Compact principles is both arduous and rewarding. As emerging issues take shape, companies will be challenged to adapt to new constraints and comply with new regulations and expectations.

Business customers are showing a preference to purchase from companies that are actively pursuing corporate sustainability initiatives. Employees are becoming ever more interested in working with companies that provide healthy and sustainable work environments. The companies that have embraced corporate sustainability will be able to shape, not just adjust to, new regulations and capture new growth opportunities.

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- 5- ISO 9004:2009. Managing for the sustained success of an organization – A quality management approach.