

# Standardization and integrated management systems - Business-practitioners' viewpoints

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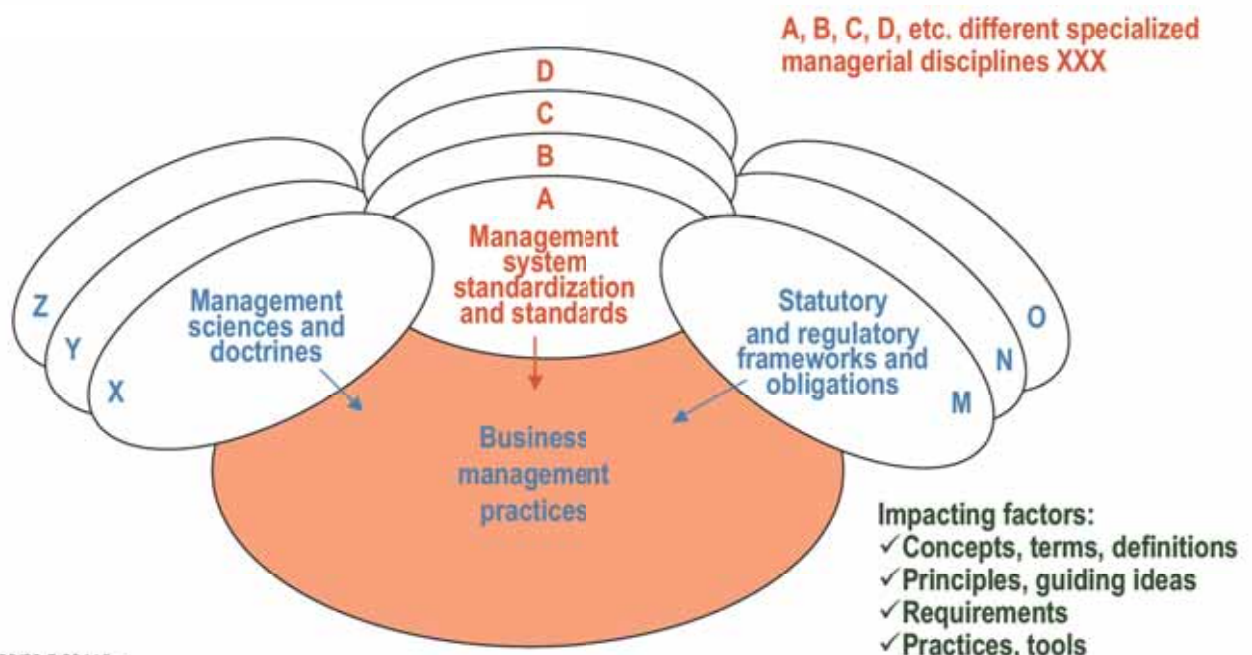


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## Closing the gaps between the managerial practices and general requisites for business effectiveness



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# Management systems standardization (MSS)

Discipline (XXX) specific standards for management systems:

## Sector-specific management standards (Discipline-dedicated):

- Automotive
- Aviation
- Education
- Energy
- Food safety
- Health care
- Information systems and services
- Local government
- Medical devices
- Military
- Petroleum and gas
- Road safety
- Ship recycling
- Software
- Supply chain security
- Transportation
- etc.

## Discipline-specific management standards for all business sectors; XXX disciplines:

- Asset
- Environmental protection
- Information security
- Quality
- Occupational health and safety
- Risk
- Social responsibility
- etc.

Existing standards include both (a) requirement standards and (b) guidance standards.

### Major problems with the management system standards:

- Business-disintegration of texts and in applications
- Mutual inconsistency in concepts, structure, and contents
- Irrelevance to changing business environments

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## Discipline XXX management standardization is a part of the general standardization with its pros and cons

General standardization consists of international (ISO, IEC and ITU), regional, national and business branch standardization:

- Standards are voluntary but may become obligatory through reference to the standards in contracts, regulations, statutes, etc. and in organization internal standardization \*

\* A consensus approach is the core of the standardization process \*

### Pros of general standardization:

- Broad acceptance and distribution of the texts
- Extensive expertise in preparing and commenting the standards
- Wide commitment and recognition
- No restrictions for innovative implementation

### All standardization aims at:

- Improved business performance and confidence, and quality of products (goods and services)
- Decreased operational costs
- Improved communication between people and organizations

### Cons of general standardization:

- There is uneven and unbalanced groups of voluntary people participating in the standardization work.
- Management of the standardization is weak.
- Only communally interesting issues are accepted to the final standard texts mainly due to the consensus principle.
- Only trivial means to implement the standard clauses may be considered in the standards.
- Handling of the issues in the standard text is superficial.
- Standardization process is very slow.
- Standard publications and participating in standardization are expensive.

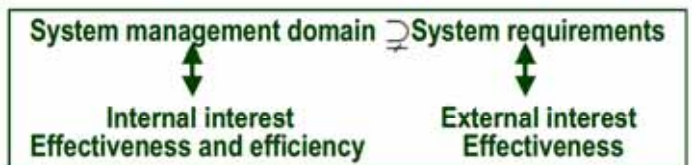
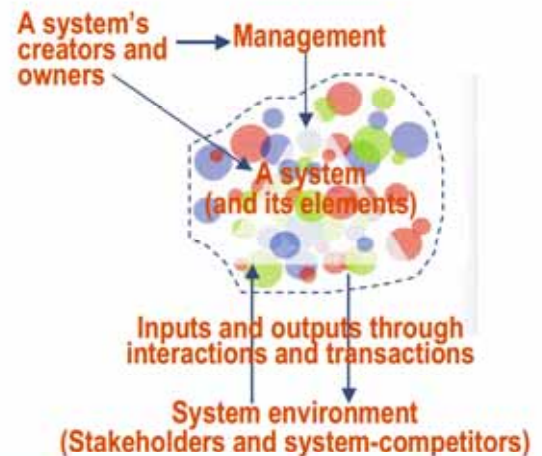
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## System concept

**System (\*) is a set of interrelated or interacting elements (processes).**

- A system is an entity that maintains its existence and functions as a whole through the interaction of its parts.
- A system has always an aim or purpose defined by the system's creators or owners. The system is just created to accomplish its aim.
- A system has interactions and transactions with its environment to get input from and to provide output for system's stakeholders. Stakeholders may set requirements to the system.
- A system is managed as a whole. Management is based on knowledge & information and PDCA management model (feedback).



Russel's paradox: "Whatever involves all of a collection of objects must not be one of the collection."

5 An organization is a system.

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(\*) Ref. ISO 9000 definition

## ISO 9000 Quality management principle #5: System approach to management

**"Identifying, understanding and managing interrelated processes as a system contributes to the organization's effectiveness and efficiency in achieving its objectives"**

**Key benefits of the principle:**

- Integration and alignment of the processes that will best achieve the desired results.
- Ability to focus effort on the key processes.
- Providing confidence to interested parties as to the consistency, effectiveness and efficiency of the organization.

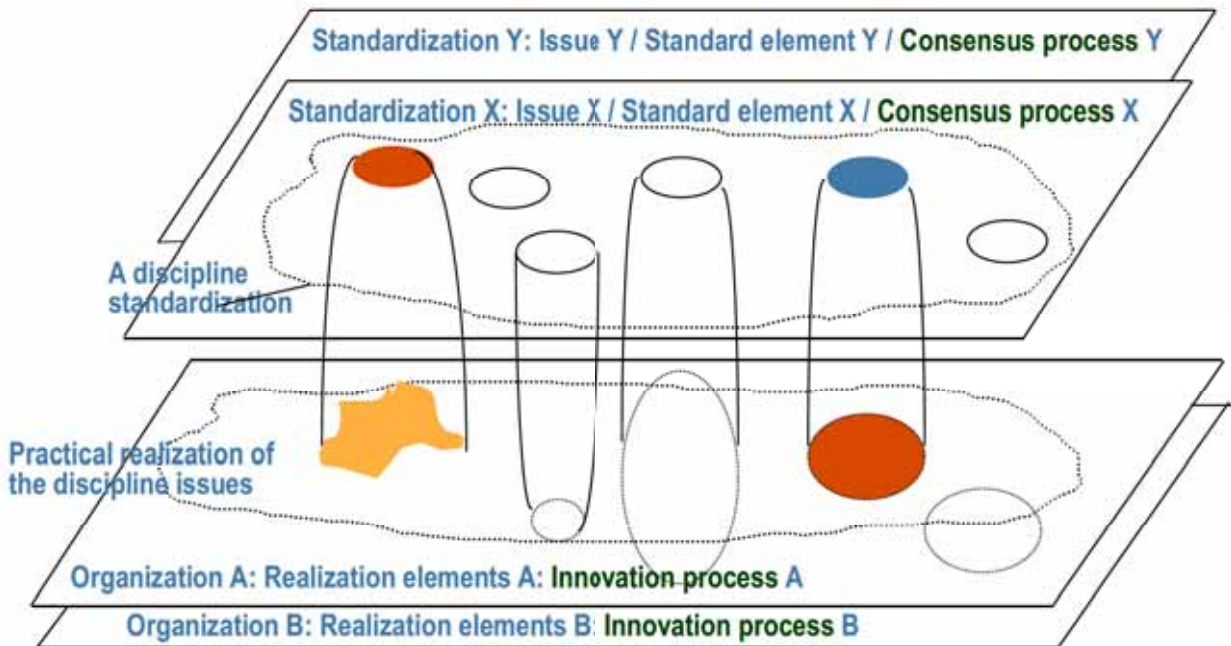
**Applying the principle of system approach to management typically leads to:**

- Structuring a system to achieve the organization's objectives in the most effective and efficient way.
- Understanding the interdependencies between the processes of the system.
- Structured approaches that harmonize and integrate processes.
- Providing a better understanding of the roles and responsibilities necessary for achieving common objectives and thereby reducing cross-functional barriers.
- Understanding organizational capabilities and establishing resource constraints prior to action.
- Targeting and defining how specific activities within a system should operate.
- Continually improving the system through measurement and evaluation.

6 This principle is relevant for all discipline areas of organizational management.  
An organization is managed as one single system.

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# Standardization and users' business reality



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# From a business establishment to satisfying needs and expectations



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Profound knowledge: Business management sciences and experiences +  
Expertise in quality, information security, environmental protection, etc.

# Structure/process polarity and dilemma

An organization-system is a dynamic and dualistic composition of process and structure:

- Mind and matter/body (Descartes) or Emptiness and form (Buddhism) -

Organizational process and structure are not separate, we should deal with them at the same time. Process and structure cannot be replaced by each other.

The process concept denotes doing and getting some outcome in a business system.

- **Elementary processes**, working for something, moving people, material or information, and interacting or communicating
- **Business processes**, interlinked elementary processes to achieving organization's business goals

Process is primarily for the operations and performance of a business system.

Structure denotes being elements, constituents and their interrelations in a business system.

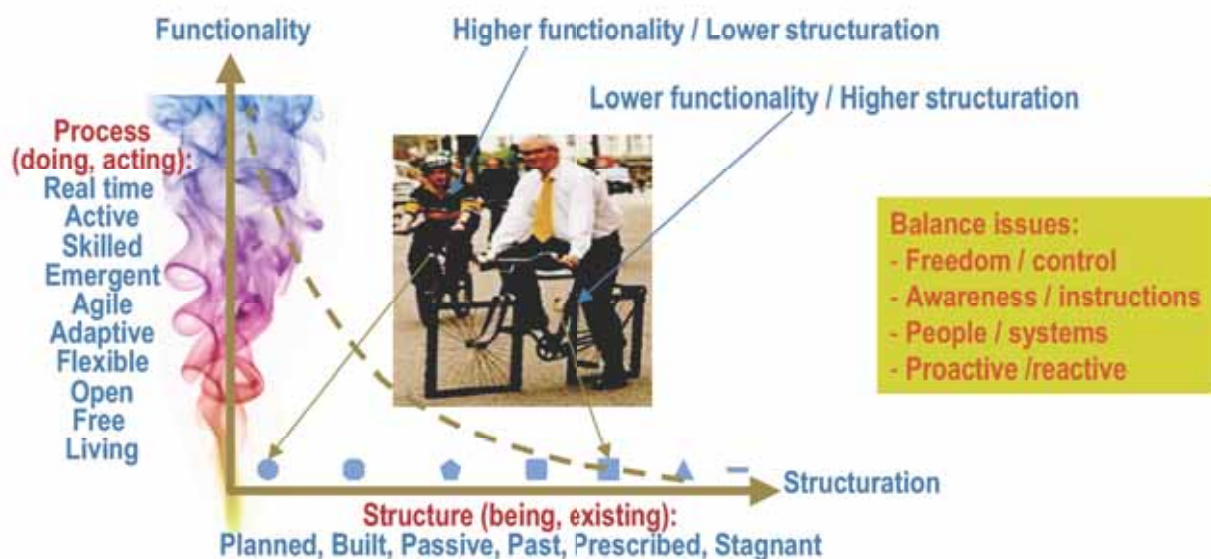
- **Infrastructure**, facilities and systems, process equipment, and supporting systems forming the basis for any business operation.
- **Assets**, physical, human, financial, information, and intangible property owned and valued by the business system

Structure is primarily for the continuity and survival of a business system.

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# The process/structure polarity and dilemma: Managing for balance



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# Managing a business system: Operational daily management vs. strategic management

Operational daily management is fundamentally divergent from strategic management but they must be consistent with each other.

- The **strategic** goals relate to the organization's change programs and are measured against the required qualitative and quantitative strategic change targets.
- The **operational** goals relate to the organization's everyday operations which are being carried out in the organization's processes and measured with business units internal performance indicators.



P = Plan  
D = Do  
C = Check  
A = Act

The 'Triple PDCA' model covers the whole area of the organizational management:

- Control (operational / rational)
- Continual small step improvement (operational / rational), "Kaizen" approach
- Breakthrough changes and transformation (strategic / creative)

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# Integrating specialized disciplines of management standardization and ensuring natural business diversity

The Finnish model for MSS integration



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(Ref.: ISO Management systems standardization, MSS)

# Harmonization of the management system standards (MSS)

A new approach is required (\*) for MS requirement standards in order to promote integration:

- A common **structure** for all MS standards (ISO/TMB/JTCG)
- Identical **text elements** for the common clauses of all MS Standards to be complemented by the discipline-dedicated details (ISO/TMB/JTCG)
- Consistent use of **basic terms and definitions** for all MS Standards (ISO/TMB/JTCG)
- Common practices for **auditing** (ISO 19011)
- Common practices for **risk management** (ISO 31000)

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(\*) Joint Technical Co-ordination Group, ISO/TMB/JTCG

## Common structure and text elements for all management system requirements standards

- |  |  |
|--|--|
| 1. Introduction  | 7. Support                                 |
| 2. 1. Scope  | 7.1 Resources                              |
| 3. 2. Normative references   | 7.2 Competence                             |
| 4. 3. Terms and definitions  | 7.3 Awareness                              |
| 4. 4. Context of the organization                                      | 7.4 Communication                          |
| 4.1 4.1 Understanding the organization and its context                 | 7.5 Documented information                 |
| 4.2 4.2 Understanding the needs and expectations of interested parties | 7.5.1 General                              |
| 4.3 4.3 Determining the scope of the management system                 | 7.5.2 Create and update                    |
| 4.4 4.4 XXX management system  | 7.5.3 Control of documented Information    |
| 5. 5. Leadership   | 8. Operation                               |
| 5.1 5.1 General  | 8.1 Operational planning and control       |
| 5.2 5.2 Management commitment  | 9. Performance Evaluation                  |
| 5.3 5.3 Policy   | 9.1 Monitoring, measurement and evaluation |
| 5.4 5.4 Organizational roles, responsibilities and authorities         | 9.2 Internal Audit                         |
| 6. 6. Planning   | 9.3 Management review                      |
| 6.1 6.1 Actions to address risks and opportunities                     | 10. Improvement                            |
| 6.2 6.2 XXX objectives and plans to achieve them                       | 10.1 Nonconformity and corrective action   |
|  | 10.2 Continual improvement                 |

**This common standard structure is based on general business management framework. All discipline XXX specific aspects are implemented within this framework (= integration).**

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(Ref.: Joint Technical Co-ordination Group, ISO/TMB/JTCG)

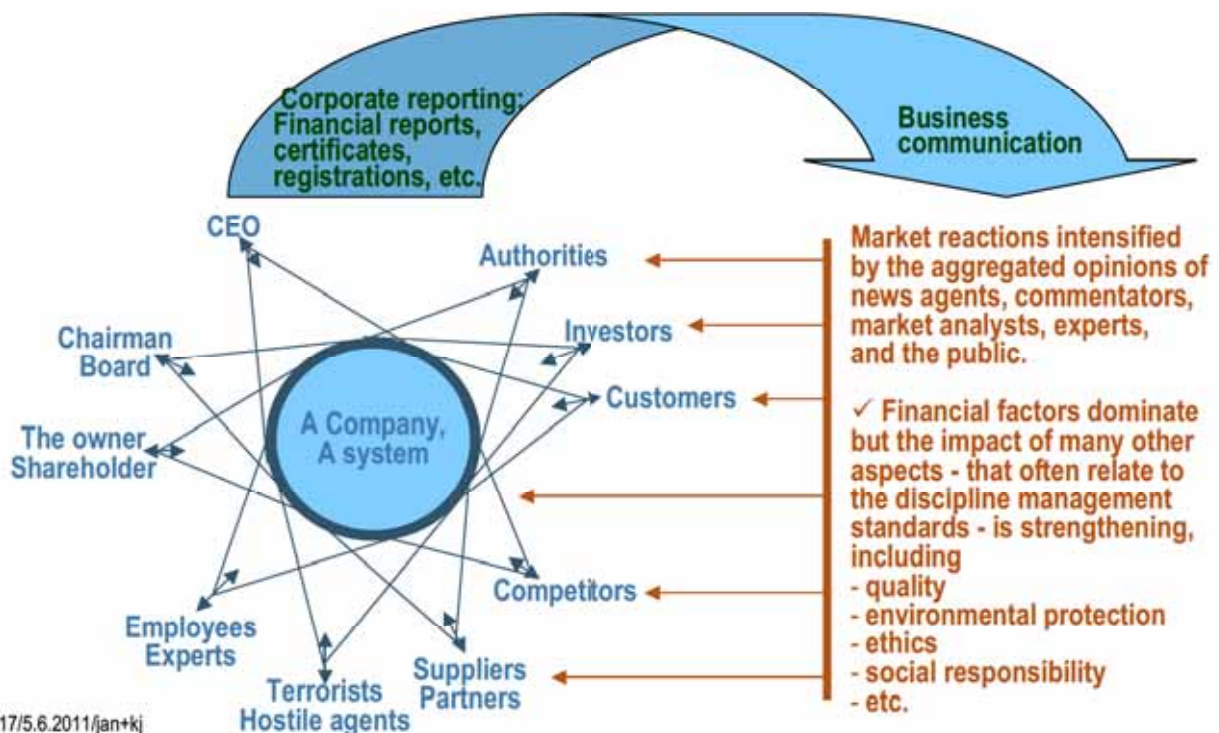
# Organization-system and its management system in the stakeholder-tensions



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# A company within its business ecosystem, From corporate information to market reactions



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## Certification Guillotine



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## Networking and ecosystems

**Organizations operate locally, regionally, and globally in networks that are:**

- Unplanned and emergent entities, and growing sporadically through self-organizing
- Consisted of independent members each having its own needs and expectations
- Managed as a whole by nobody; each member has its own impact in the network
- Impacted by forces of (a) buyers, suppliers, substitutes, and competitors, and of (b) digitalization, globalization, and deregulation
- Wrecking traditional value chains to be replaced by more complicated value networks

**Business ecosystem:**

- Consists of complex networks of players, that go far beyond traditional competitors, customers, and suppliers
  - Where each business affects and is affected by the others, creating a constantly evolving relationship in which each business must be flexible and adaptable in order to survive

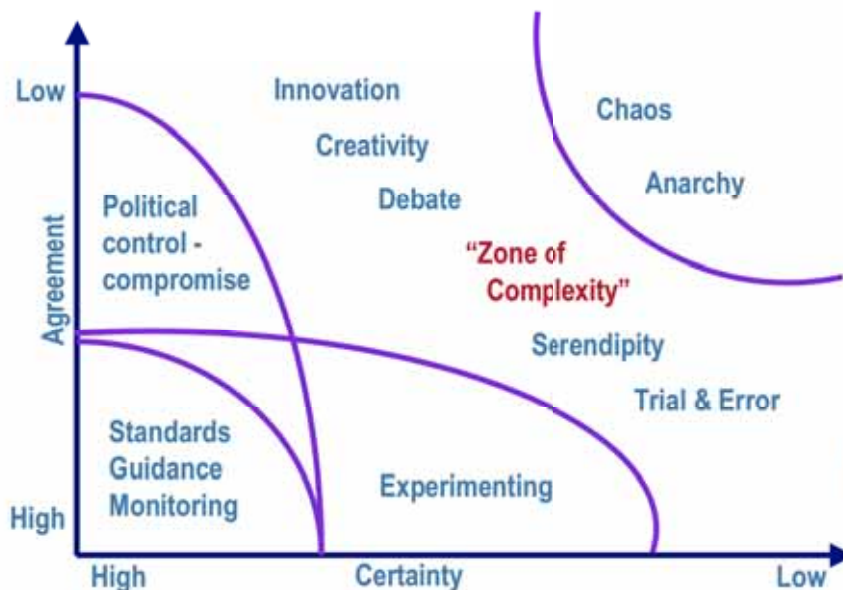
Networking and ecosystems are strongly influenced by **new technologies**, especially information technology (e.g. social media and cloud computing), biotechnology, and nanotechnology, in the formation and operation of the business models and management systems.

**Traditional application of the XXX management system standards is not appropriate within networked business environments or ecosystems.**

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## Networked organizations interact through “complex responsive processes of relating” (\*)



All kinds of activities may exist in networking processes.



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(\*) Stacey: [http://www.plexusinstitute.org/edgeware/archive/think/main\\_aides3.html](http://www.plexusinstitute.org/edgeware/archive/think/main_aides3.html)

## Information, knowledge, and awareness in the management and performance of business systems

**Business information and knowledge are essential and crucial factors for all businesses. Management of information and knowledge is the core of a management system.**

- Management needs means of acquiring data, processing, analyzing and storing data and information, and sharing, disseminating, and communicating information and knowledge.
  - Major part of the knowledge is tacit knowledge. The management system is highly a mental system.

**Information technology and systems should effectively support operations and management.**

- Traditional documentation practices may not help much although emphasized by the management system standards.
- Traditional IT (Information Technology) systems are expensive and complicated to establish and maintain, and have often made the jobs of people more complex and difficult rather than simplified their work.
- Web-operated social networking applications (Web 2.0) are simple, easy to use and cheap disruptive IT (Interactive Technology) solutions to support collaborative communication and learning in networks

**Leadership language has an important role in organizations.**

- Factually an organization is a living organism and a set of conversations among people.
- Narrowing (standardizing) language increases efficiency but it also increases ignorance. The organization becomes weak to adapt to changes in its environment. New language is required to create new paths to productivity and to regenerate the organization.
- Necessary conversations for generating new opportunities come from outside the system, from the language that has a different history.
- Formal training and education programs/activities don't provide necessary help. 80% of new ideas are got through informal collaborative learning in networks.

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# Managing performance of business systems and a specific XXX discipline performance

Managing **business performance** is an important area of management systems. Overall business performance consists of:

- **Customer-focused performance:** Organization's performance seen by the customers
- **Operational performance:** Organization-internal performance including hard business processes performance (e.g. cost efficiency, throughput or lead time) and soft performance (e.g. workforce skills)
- **Product performance:** Characteristics of the products (goods and services)
- **Financial and market performance** (e.g. competitiveness and market share)

Discipline XXX performance is a sub-domain of the overall business performance.

Discipline XXX performance is not an ON/OFF issue but a fuzzy concept.



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# Enhancing an organization's business performance (from early stage to maturity)

Business performance is a fuzzy concept; Both overall performance and discipline performance:



(\*) Third party certifications do not define any particular level of performance. Organizations cannot differ from the others on the basis of third party certificates

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# Theses of the new approach for applying a discipline XXX management and related standards

## Striving for competitive discipline XXX management and integration by:

1. Striving for flexible realization of XXX in management and leadership
  - instead of distinct XXX management by using effective managerial methodology
2. Applying innovative "systematicity" (systematic approach) of the XXX in management
  - instead of formal and distinct XXX management systems
3. Recognizing performance excellence
  - instead of a narrow XXX conformity thinking
4. Using business-related XXX management principles and actions
  - instead of fulfilling formal and general XXX assurance requirements only
5. Setting stretched business-related XXX objectives
  - instead of minimum standard requirements
6. Aiming at innovative and unique XXX solutions
  - instead of stereotyped models or systems
7. Relying on internal business performance self-assessments and advanced XXX assurance communication
  - instead of third party audits and certifications of artificial XXX management systems
8. Getting advantage of tacit knowledge
  - instead of only records of explicit data and information
9. Networking with partners and recognized world-wide communities of multifarious expertise and various ways of collaborative learning
  - instead of narrow-minded continual improvement
10. Reinforcing and using company's own internal awareness and expertise
  - instead of passive use of external consultants

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## Conclusions: A modern discipline XXX management - Prerequisites, needs, and realization

1. **Integration:**
  - Implementing effective / efficient and business-relevant XXX principles and methodology embedded within organization's normal activities of strategic and operational management

XXX management → XXX in management
2. **Responsiveness:**
  - Being able to adjust quickly to suddenly altered external conditions, and to resume stable operation without undue delay

Dynamic and flexible XXX management
3. **Innovation:**
  - Striving continuously for new organization-dedicated innovative and unique solutions and encouraging various choices for XXX management in different organizations.

Standard approach → An organization's unique approach
4. **Collaboration:**
  - Communicating and working together with colleagues and appropriate knowledge communities.

Connectivity, interactivity, and shared knowledge and resources

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