# Management systems:  Part 2 of 2

## Where are we now?

**UCAS** recently reported that management studies were the third most popular university course in the UK in 2006.  An **LRQA** research report in 2007 gathered the responses of a range of international directors and senior managers who have control over or input into how management systems are used - "**Business Assurance: Setting the Agenda for Change**" found that:

> "*management systems have established themselves as key tools by which managers change behaviour – not just across their own organisation but right across their supply chain networks, and ultimately within the economic and social fabric of which they form a part*".

Nevertheless, the research suggests that there is still a long way to go before the potential of a well-designed management system can contribute fully to the management and continual improvement of the business.

The report states that

> "**management systems are the theoretical designs and actual practices by which organisations manage their operational effectiveness and efficiency**".

So a management system includes not only the structure, organisation and policies but also the way in which day to day business is carried out.

It is important that managers appreciate the potential of a management system for identifying and managing risks, avoiding unintended consequences and enabling performance and business improvement.  It can help to improve business operations internally and can have a significant beneficial effect on how the organisation is regarded by its stakeholders and the community in general.

**David Moorhouse, Lloyd's Register Group Executive Chairman**, said in 2006 that:

> "*Business assurance is essentially about using systems to improve operational effectiveness and manage risk.*
>
> *At its heart is the belief that, when applied well, management systems help to improve business performance in a quantifiable way.*
>
> *By understanding what really matters to organisations and their stakeholders, organisations can improve their systems, and businesses, simultaneously.*"

And during a merger or acquisition, how well the separate management systems can be combined is one of the key factors in achieving success.  The distinct company policies, culture, processes, resources, leadership styles and the associated risks (including those created by the merger or acquisition itself) can all cause problems, as can the separate objectives of the two parties, which do not necessarily match the objectives of the new organisation.

## Designing, installing and maintaining a management system

The level of detail required when defining a management system will obviously vary between a new start company and a long established multinational enterprise.  Nevertheless, the essential principles remain the same.  One key decision which must always be made is to strike the balance between the need for standardisation and the desire to allow freedom to act, based on relevant competence.

## System definition

Did your organisation "define" its management system, or did it evolve over time?  In the same way as many would doubt that business processes were ever "engineered" in the first place, to allow them to be "re-engineered" during the 1990s, the component parts of an organisation's management system may have been put in place independently and have worked together to a greater or lesser extent as the organisation grew.

Often, a more formal description of the "management system" is introduced in response to the (perceived) demands of an external standard rather than as an intrinsic part of the development of the business.

When setting out to define an organisation's management system, an initial problem can often be to identify what the current system is.  Clarifying the goals, defining the existing processes which achieve those goals, and even recognising the underlying values, can be a challenge – especially when you try to identify who does what, why and how.  Nevertheless, the exercise can often identify problems such as discrepancies, contradictions and lack of clarity, and possible improvements can be identified.

Even identifying who is responsible for carrying out a task may be surprisingly difficult.  The **RACI** (Responsible, Accountable, Consulted, Informed) convention used widely in the UK oil & gas industry can be a useful tool in this respect.

Many organisations do not have a good control over documents (such as templates, work instructions, standard letters) in use, and an initial investigation can highlight duplicate (and different) versions held both electronically and on paper.

## Where to start?

- Start at the top, and stop when you reach the required level of detail.
- Clarify why the organisation exists.

State the "mission" (objective) or do the "elevator test" (30 seconds to explain what the organisation does / why it exists).

For example, your objective may be to "*develop, supply and support the most comprehensive and easy-to-use software for business process management*".

- Define the policies you will follow ("**the intentions and principles which provide a framework and guidance for what you want to achieve and how you will operate**").

For example: "*to establish a reputation for explaining the underlying principles clearly and simply - to identify and develop relationships with consultants who understand the approach and can add value to the software - to produce high-class software which is easy to use and provides a practical method for an organisation to define and communicate how it works …*".

- Specify what you will do to achieve your objectives and implement these policies (ie list the operational processes).

For example: "*plan and organise how you work - promote the organisation - identify and contract with potential customers - develop software - install and support software - review progress and make improvements*".

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- You also need to ensure that you have and maintain the means to achieve the above, and anticipate any issues which may prevent you doing so.

So your business operations can be defined as a simple network of processes by identifying:

- what you do
- how you do it
- what you need to manage (resources, people, influences) to ensure that these "core" processes are efficient
- how you ensure that you comply with relevant standards and plans, and make improvements where possible.

Almost all organisations do the following (although the public sector may not need to "get work" – the work tends to come to it):

> - Plan and organise
> - Get work
> - Do work
> - Manage resources (including people)
> - Review and improve.

All businesses are different - but not as different as they might like to think.  Although there will be variations on a theme, only the "doing work" processes are likely to vary drastically, depending on whether you are manufacturing or distributing goods or providing a service.  Marketing, recruiting staff, managing premises and so on are more likely to follow a familiar path irrespective of the product or service being provided.

Ensure a standard method of identifying job titles and document references and titles.  Produce a Glossary of technical or in-house terms if necessary.

## System Design

How well a management system meets its objectives will depend on how effective and efficient the business operations are in practice.  So the design (or recognition) of an organisation's management system relies on an implicit or explicit acceptance of the need for each of the component parts.

It also demands that the theoretical design is shaped by an acknowledgement of what will work in practice and what is needed for the system to work – and this means that a management system which works in one type of business or one country cannot necessarily be uplifted and imposed on another organisation, even if the system works well.  There are a number of system models which are worth considering - some examples are given later.

What barriers can make it difficult for a management system to achieve its objectives? Unfortunately, there are several.  The traditional (departmental / functional) budget and reporting structures within an organisation can introduce or even reinforce conflicts within departments and make it difficult for those involved to work together.  Management behaviour may not match the approach which staff are told to follow.  Objectives may not be clear.  Policies may conflict.

And the system may lack clarity – many do!  It is commonly accepted now that the "process" view of business life is the most constructive way to view operations, yet the level of understanding of these concepts is often still well short of what is required.

## System Definition

It is essential that the system is clearly understood by all who are involved, and this requires a simple description of what the system is and how it should work. The individual responsibilities and involvement of others should be made very clear, and relevant documents and sources of information should be made available and suitably controlled.

The design should make it easy for a newcomer to understand the system easily, and to find required information, and it should also enable changes to be made without undue effort. Over the years, technology has enabled totally new ways of working such as working remotely from home and on the move.

Because of the speed of change in technology, it is becoming increasingly difficult to plan in detail too far into the future – whilst there may have always been a question mark over the benefit of developing five year business plans, the timeframe has shrunk drastically partly because of technological developments but also because the business environment in general is changing so fast.

One key benefit of the "process approach" is that there is more chance of people working together to achieve shared goals, when they understand what the overall objectives are and their role is achieving them.

[See Specifying, designing and developing processes, products and services for more details on process definition]

## System Installation / Implementation

If a new way of working is being introduced or if significant changes are being made, it is important that the reasons for the change are made known and staff understand how success will be measured.

Implementation should be treated as a project, which means that the necessary resources should be provided and all factors likely to influence the successful completion of the project recognised and managed appropriately.

Senior management should give leadership, and should ensure that the underlying values and policies are not only clear but are implemented. A suitable description of the system should be made available – preferably in electronic format (if relevant).

This does not mean simply publishing a series of unrelated "pictures" of flowcharts – a good system needs a dynamic (hyperlinked) presentation with a simple, logical structure, which integrates all the relevant components.

For example, job titles should be consistent and referred to within process descriptions, links to document templates, detailed procedures and even external websites should be an intrinsic part of the process definitions, and risks, performance standards and competencies can also be highlighted.

The system should be defined in such a way that the process definitions are not constrained by artificial limitations in any software used, and the principle of making a change once (for example, changing a Role name) should affect all relevant records.

The initial exercise of defining the system can in itself highlight weaknesses in the current structure and performance, and when the system is published and "in use" it can serve as a useful induction and training tool for new staff.

Ideally, the system should allow more than one method of accessing any required data – the aim is always to make it easy for a "reader" to find the information they need, whether by accessing an outline "system picture", an index of processes or an index of documents, or even by selecting his or her job title and "filtering" the relevant tasks to give a "job description".

# System Maintenance

Management systems and their outcomes are notoriously difficult to evaluate, and this can make it a challenge to maintain and develop them.  Even for a well-designed and implemented system, it can be difficult to keep the system description updated in line with changes to reporting structure, products, technologies, activities and markets, let alone changing organisational needs and external pressures, all of which may radically change an organisation's objectives and priorities.

**Peter Senge** explains his concept of a "learning organisation" as an organisation that is continually expanding its capacity to create its future – it goes beyond survival and "adaptive learning" to what Senge describes as "generative learning" - learning that enhances our capacity to create.  This obviously requires relevant and accurate data to be captured, retained and made available, but also the capacity to interpret it in a positive and constructive way.

This means that an organisation must review its system (and its description) on a regular basis, not only to ensure that the system continues to meet objectives but also that it is still relevant in the light of changing circumstances.

Does the defined system reflect what is done and what should be done?  If not, should the description be updated, or do you need to change what you are doing and how you do it?

# System Assessment

In 2007, **DNV** in the USA offered a Management System Maturity Profile online survey to give a view of an organisation's management system and how it is rated by leaders, managers and key staff.  The survey covered the following areas:

- Leadership
- Strategic Basics
- Customer/Stakeholder Focus
- Risk Management
- Planning and Controls
- Measuring and Monitoring
- Continual Improvement.

Two well-known and well-used methods for measuring whether, and to what extent, the activities of an organisation are meeting its objectives in terms of vision and strategy are **Kaplan & Norton's Balanced Scorecard** and the **EFQM Excellence Model** (as a tool for Self-Assessment).



**Figure 1 - EFQM Model**

# Application of management system models

Whilst it is not advisable to design a system totally based on an external model, a number of useful models exist and can offer variations on what are essentially the same key factors which must be considered.

As mentioned in Part 1, the structure of an external standard is unlikely to be the ideal starting point for designing a management system.  Furthermore, ISO9001:2000 has a picture of a "*model of a process-based quality management system*", which many organisations have copied and tailored only slightly, without appreciating the (significant) weaknesses of the diagram.
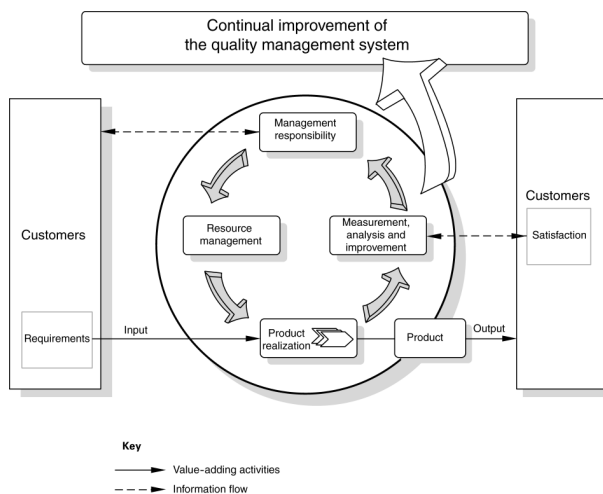


**Figure 2 - "Model of a process based quality management system" (ISO9001:2000)**

It can be difficult to strike the correct balance between simplicity and comprehensiveness, but some of the less than helpful features of this "model" are that it creates unnatural categories of process, implies that "Management Responsibility" is a process and suggests that measurement is a distinct process rather than, as is often the case, being an intrinsic part of other processes.

Only two information flows are shown ("to" and "from" customers), although internal communication is equally important (as the standard rightly states elsewhere).

One improvement might be to move the label "Management Responsibility" to the circle behind the other process groups, to show how "management" and "operations" relate.

## 7Ss

McKinsey consultants (Anthony Athos, Richard Pascale, Tom Peters and Robert Waterman) developed the 7S model as an analytical framework in the late 70s when researching organisational effectiveness.  The 7Ss are:

1. STRATEGY:  the integrated vision and direction of the company as well as the manner in which it communicates and achieves that vision and direction.

2. STRUCTURE:  the form of the organisational chart and interconnections between positions in the organisational hierarchy.

3. SYSTEMS:  the method of operating, the processes and procedures required to perform the work, including the ways information moves through the organisation.

4. STAFF:  the personnel categories within the organisation.

5. STYLE:  the characterisation of the ways key managers set priorities and behave in order to achieve the organisation's goals.

6. SKILLS:  the distinctive capabilities of the organisation as a whole.

7. SHARED VALUES:  the core beliefs underlying the organisation's existence and its expectations of its members.

The original intention of the model was to guide thinking about organisational effectiveness, but it proved to be a useful tool for judging an organisation's ability to implement a given strategy.

To be effective, an organisation must have a high degree of internal alignment among all seven Ss.  Each S must be consistent with the others for them to reinforce one another.  With the exception of the skills factor, all Ss are interrelated and a change in one affects all others.

Certain factors such as staff, strategy, structure and systems can be changed in the short term, whereas the three remaining Ss (style, skills and shared values) can only be affected long term.  The model can be used as both a static checklist for analysis purposes and a tool to assess potential conflicts when a strategic program is implemented.

## Star Model

The American academic and consultant, Jay Galbraith, developed the Star Model as an organisational design framework.  The model used design policies that guide organisational decision making and behaviour.  The model contains five categories:

1. STRATEGY:  determines direction through goals, objectives, values and or missions. It defines the criteria for selecting an organisational structure.  The strategy defines the ways of making the best trade-off between alternatives.

2. STRUCTURE:  determines the location of decision making power.  Structure policies can be subdivided into:
   - specialisation: type and number of job specialities
   - shape: the span of control at each level in the hierarchy
   - distribution of power: the level of centralisation versus decentralisation
   - departmentalisation: the basis to form departments (function, product, process, market or geography).

3. PROCESSES:  the flow of information and decision processes across and through the organisation's structure.  Processes can be either vertical through planning and budgeting, or horizontal through lateral relationships.

4. REWARD SYSTEMS:  influence the motivation of organisation members to make employees' goals in line with the organisation's objectives.

5. PEOPLE POLICIES:  influence and define employee's mindsets and skills through recruitment, promotion, rotation, training and development.

All must complement each other to enable effective behaviour.

A natural sequence starts with strategy definition, which drives organisational structure.

The structure depends on the complexity of the business - whether it is goods or service based; single or multi production lines, servicing one or many market segments.

Structure and Processes define the implementation of reward systems and people policies.

> **Strategy ➔ Structure ➔ Key processes ➔ Key people ➔ Roles and responsibilities ➔ Information systems ➔ Performance measures and rewards ➔ Training and development ➔ Career paths**.

## Integrated management systems (holistic approach)

While the term "integrated management system" is often used to mean "*the result of integrating more than one management system*", or *"a system to meet the requirements of more than one external standard*", it might be more constructive to consider it as a "*system of integrated management"*, which requires an understanding (and application) of the principles of "systems thinking".

This reinforces the "process approach" to managing an organisation, and reflects what many would consider to be the requirements for "good management".

The current organisational structure can affect how this is perceived – for example, if there are separate quality and environmental managers or if there is a combined QHSE department, or if information management is a part of the finance department (as it was in the early days of computing) or is a department in its own right, perhaps even with an IT director on the board.

This view should also be taken into account when designing the published system description: if business risks, performance standards and the required skills and knowledge are highlighted so that all relevant factors are obvious for specific tasks throughout the system, staff are more likely to be aware of all implications of what they are doing.  This approach can also help to identify all relevant tasks which need a particular resource or involve a particular role.

An (integrated) management system should be an automatic by-product of good process management if all the key elements of business processes are recognised and managed (see Specifying, designing and developing processes, products and services).

## The "process" of managing

There may be a case for thinking of any manager as a "project manager".  The Association of Project Management suggests that:

> "*Programme management, though more complex (than project management), is achievable as the methodology is still similar.*
>
> *Portfolio management is different from programme or project management.  In a portfolio, there are different types of projects or programmes with different specifications, challenges and benefits, and which are managed by several teams as a portfolio.*
>
> *There is a need to focus the teams on the highest value opportunities and to manage the multiple risks in and across parallel projects.  In addition, priorities bearing upon and within the portfolio change with time.*
>
> *The beginning, middle and end of the portfolio tend to blur as projects overlap and continue with time.*
>
> *The big challenge is moving into Portfolio management which requires a new range of skills and understanding.*
>
> *At this point are we really running project or running a business with projects within it?*"

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This extension of the concept of "project management" is very relevant when applied to normal day to day operations for many organisations which do not see themselves as project management companies.

In practice, managers are responsible for managing staff who themselves are dealing with various "instances" of a number of processes (each instance might be viewed as a mini-project), which may be at different stages of completion and are competing for possibly scarce resources.

This shows how the simplistic picture in ISO 9001:2000 hides the true complexity of the sequence and interaction of processes, and the real challenges of management.

## The way ahead

Once the overall strategic plan for the organisation has been defined, what should those with responsibility for directing and managing business do?

> - Recognise what is important and needs to be managed – whether resources or factors which can influence performance
> - Agree a policy to manage it
> - Agree a method to implement that policy (this may not need new processes – but almost certainly existing processes will need to be reviewed and updated)
> - Review progress on a regular basis to ensure that objectives are being achieved and make adjustments as necessary.

Despite this, there is much evidence in the Western world of the lure of executive bonuses leading to short-term business decisions, which do not help the organisation to achieve what the overall objectives are (or should be). Staff, suppliers and customers and even society all suffer.

The share price and the stock market in general can lead to short-term decisions being made so the executives benefit rather than the organisation achieving longer term aims or customers being provided with the best service. So much for "customer focus"!

In recent years, there has been much criticism of target setting within the UK public sector, where time and effort is spent in trying to meet a wide range of targets and the key objectives (reasons for existence) of an organisation such as the National Health Service are all but overlooked.

Objectives, policies and performance measures can be contradictory, and people may do something which meets one objective, but at the same time mitigate against the achievement of another. To monitor performance you need to measure the right things and to report on them in a clear and concise format.

Unfortunately, many organisations still have significant scope for "continual improvement" in this area…

## Sources

LRQA research report "**Business Assurance: Setting the Agenda for Change**" (http://businessassurance.com/lrqa-launches-agenda-for-change)

Senge, Peter (1990) "**The Fifth Discipline**" and "**The Fifth Discipline Fieldbook**" (Doubleday, 1990). (originator of the concepts of "systems thinking" and "the learning organisation")

**Association of Project Management**

www.apm.org.uk

**EFQM** (organisation founded in 1988 to promote quality management in Europe through the use of self assessment according to the EFQM Business Excellence Model)

(www.efqm.org)

TC176 Guide: ISO Technical Committee 176 on Quality Management and Quality Assurance --
the committee responsible for developing the ISO 9000 series of standards.

http://www.iso.org/iso/iso_catalogue/management_standards/iso_9000_iso_14000/more_resourc
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This is one of four modules written in 2007-2008 by Peter Fraser of MandOS for the Chartered Quality Institute (CQI)'s
Body of Quality Knowledge (BoQK).  The BoQK (see www.thecqi.org/knowledge) is the framework that defines the current
boundaries of knowledge of the quality profession in the UK.  It acts as one of the foundations that defines the quality
profession and provides the basis for regulation.

The categories of the BoQK are:

- Concepts of quality, its history and development
- Customers, suppliers, other stakeholders and markets
- Interactions of organisations and people
- Technologies and techniques
- Laws, standards, models, associations and professional bodies
- Corporate strategy.

The four modules are:

- **Specifying, Designing and Developing Processes, Products and Services**
- **Management Systems**
- **Elements of Corporate Strategy**
- **Evolution of Quality Thinking Post 1970**