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No 199 • May 2016

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# Welcome to our e-Quality Edge May edition



In this month's edition we continue our focus on leadership and have included part two of the adaptation of the paper that I presented at the World Quality Conference in Budapest last year on leadership and ISO 9001:2015. We then add a special feature article asking the question "With the benefit of hindsight". This is a reprint of an article from ASQ about a CEO's understanding of Quality, first published by us in 2005 with permission of ASQ. We ask the question of our readers; "Has anything changed in 2016."

I am honoured to announce that I have been accepted as a Companion of the International Academy of Quality and will be going to Helsinki early next month to present my acceptance speech. We are taking the opportunity to include an article on the Golden Anniversary of the IAQ covering its history and purpose by our international colleague Gregory H Watson. This event will be celebrated both in Milwaukee this month and Helsinki early next month.

Our regular contributor Terry Booyesen will continue the focus on leadership and will talk about corporate reputation. We have another question in our "Ask Paul" series and discuss the need or otherwise for a Quality Manual. Our schools specialist Richard Hayward also continues with his important contribution to quality and asks "Is stress good for children?" in his Quality in Schools article.

*Paul Harding*

**SAQI MD**



# Executive responsibility according to ISO 9001:2015

## Part two of this two part series

# Part 2



By Paul Harding

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In part one of this two part series we looked at the requirements for leadership according to ISO 9001:2015 in other words “what must you do?” In this second part we will look at an enabling tool to apply the requirements in other words “how can you do it?”

### Linking strategy and operations through Hoshin Kanri

Do executives now need to rethink their understanding and commitment towards leadership and daily management activities as found in the ISO 9001:2015 requirements standard? How should they be cascading their strategy and objectives to middle management for implementation and execution of strategic and other cross-functional improvement activities? There is a leadership activity practiced in many Japanese organizations referred to as *top shindan* (Witcher, Chau & Harding 2007). The translation of this term from the Japanese has been interpreted as Top Executive Audit (TEA) or more correctly Top Executive Diagnosis (TED) and this term will be used in this article. This approach not only supports the Japanese methodology known as *hoshin kanri*, the literal translation of which is policy management or deployment but can also be used as an enabler for showing the leadership traits now expected in ISO 9001:2015.

*Hoshin kanri* takes overall strategic goals and objectives and then breaks them down into individual targets referred to as “control items” that are then cascaded down to various levels in the organization. These goals invariably have a focus on improved customer satisfaction leading to increased market share and financial sustainability, a must for organizations wishing for sustained success.

### Improvement or Continual Improvement?

Another feature of interpreting the new ISO 9001:2015 standard is how to accommodate the changed main heading relating to improvement from “continual improvement” to just “improvement”. According to TC 176 the rationale behind this move was that “improvement” can be associated with small improvement, breakthrough improvements, innovation or just corrective actions. However, there is a sub clause under 10.3 that says the organization shall continually improve the suitability, adequacy and effectiveness of the quality management system. The *hoshin kanri* activity we will discuss is more related to break through activity than small gradual improvements or *kaizen* (Imai M 1986). The clause found in the standard under 6.2 Quality objectives and planning to achieve them, opens up the opportunity to use the TED methodology. This article considers first the place that Top Executive Diagnosis has as a phase in

FAIR, the four phases of *hoshin kanri*, and the general significance of this diagnosis. The article then looks at the big picture on how strategy, objective setting and results fit into the general operations of an organization that may be applying the new leadership requirements found in the revised ISO 9001:2015 standard.

### Hoshin Kanri explained

Research indicates that the *hoshin kanri* approach is comprised of four main tasks – focus, alignment, integration, and review (Witcher, 2003).

- Top management need to *focus* organization-wide attention on strategic objectives, but need to balance these with other incremental diagnostic objectives to set the short-term vital few strategic priorities.
- The organization as a whole must use these priorities to *align* plans and other local priorities and management systems so there are no winners and losers.
- Everybody must *integrate* these priorities into daily management activities by applying TQM and PDCA principles to the management of work.
- Top management then need to *review* the operational effectiveness of the core organization-wide management processes, including the effectiveness of strategic management (deployment) itself.

This 'FAIR' view is represented figuratively as a strategy management annual cycle, see *figure 1*. Top Executive Diagnosis applies to the 'review' part of this cycle. It represents an annual in-depth check on how strategy and other cross-functional performance management activities have been managed during the year. However, in practice the in-depth check may be conducted half yearly or quarterly too. This fits well with the ISO 9001:2015 requirements for “management review” that now requires the quality management system to be aligned with the strategic direction of the organization. This requirement has often been misunderstood in ISO 9001 as being a once a year activity to satisfy the management review clause. The idea is not for the organization to hold a management review just to pass a certification audit. Organizations should stimulate mutual discussion between top management and the people who implement top management goals in their daily management activities identified in the quality management system. This then creates ways and means to improve the existing quality management system. It is not therefore merely corrective action or diagnostic. Top Management must realize the importance of discussions based on facts that emanate from daily operations

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supporting the business processes. This aspect of the system is covered under the communication clause of the ISO 9001:2015 standard. Typically a senior management team will provide an initial short report as input, and top-level management will draw up a checklist of subjects to consider. Surveys of the present situation may be conducted and data analyzed. The top management team may take part in plant surveillance through Top Shindan where employees will be involved with discussion and analysis with senior management. There may also be roundtable discussions and these can be utilized to expand on the typical ISO 9001 internal audit requirement. At the end of the diagnosis period recommendations will be suggested from top management, and these are likely to be considered at the next round of diagnosis that could be linked to the management review requirement.

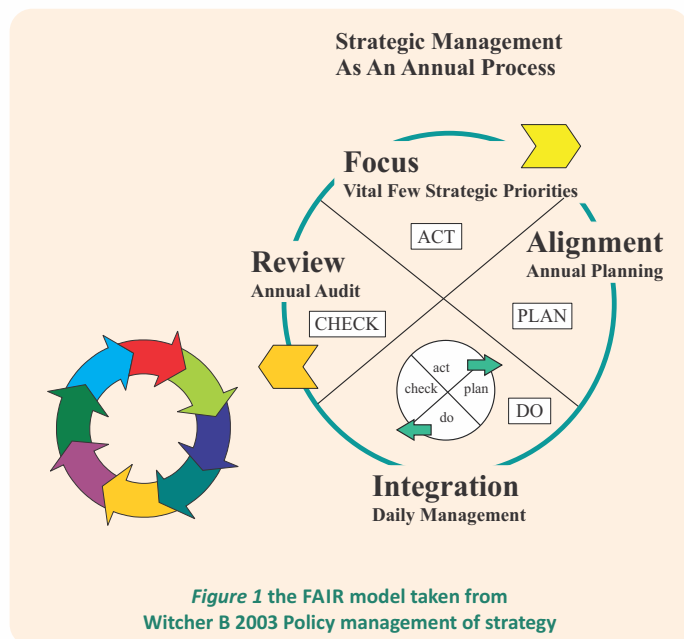


Figure 1 the FAIR model taken from Witcher B 2003 Policy management of strategy

The leadership characteristic of this audit and diagnosis cycle is considerable in terms of ISO 9001:2015 requirements. The business audit and subsequent diagnosis offers the best chance for top management to engage, direct and support persons to contribute to the effectiveness of the quality management system. This is one of the ten leadership requirements found in the ISO 9001:2015 standard. The employees consulted are also given opportunities to examine and to rearrange their daily work. Moreover, the top level diagnosis contributes to the improvement of mutual understanding and human relations among the employees.

The visible involvement of top management showing leadership traits at operational level sends messages to other employees about top level commitment to strategy and strategic objectives. The involvement of people at other levels also acts to reinforce motivation in regard to company-wide issues. It can also play an important role for the dissemination of knowledge generally across the organization, particularly when results are relayed at large through an organization's communication media, and specialist networks. This approach also reinforces the requirement found in the new standard determining the organizational knowledge necessary for the operation of its processes as well as the requirement for determining communication relevant to the quality management system. This makes it easier for an organization to work together and

focus its capabilities on those critical success factors that underpin competitive advantage. This helps to achieve an organization's overall strategic objectives, and enables top management to drive the management of key processes in a way that will improve the effectiveness of the quality management system as a whole.

### The need to focus on consistency

One of the expected outcomes of the Top Executive Diagnosis is to ensure that there is an alignment of activities in the cascading of strategic objectives that do not have a negative impact on operating processes. It is an important part of Japanese management to be consistent in the application of each task allocated that is supporting the overall organization's strategy. Any variation in any daily management process needs to be controlled and limited. This approach to controlling processes was an important part of the ISO 9001:2008 requirement standard but to an extent its importance has been overlooked by certain auditors. The first aim in limiting variation is to focus on the consistency of the task being performed. The degree of documented information developed for consistency is dependent on the nature of the task and the skill and experience of the person performing the task. The need for specific procedures to enable product realization in an organization was often abused in the ISO 9001:2008 quality requirements audit with a focus on only the six mandatory procedures found in the standard.

The Top Executive Diagnosis can be used to monitor improvements to all formalized processes and ensure that quality objectives are met. At shop floor level, once the operating system is under control, improvements to the process can be made through *kaizen* activities in line with the improvement requirement. The overall purpose of the TED is then to confirm the current status of the *hoshin kanri* methodology and the organization's strategic objectives. It can also check the appropriateness of individual objectives and methodologies to the overall strategic objectives. Top Executive Diagnosis focuses on constancy of purpose by comparing existing and improved methods and results across functional barriers and determining whether they are focused on the broad organizational or other business objectives.

### Top Executive Diagnosis as a leadership tool

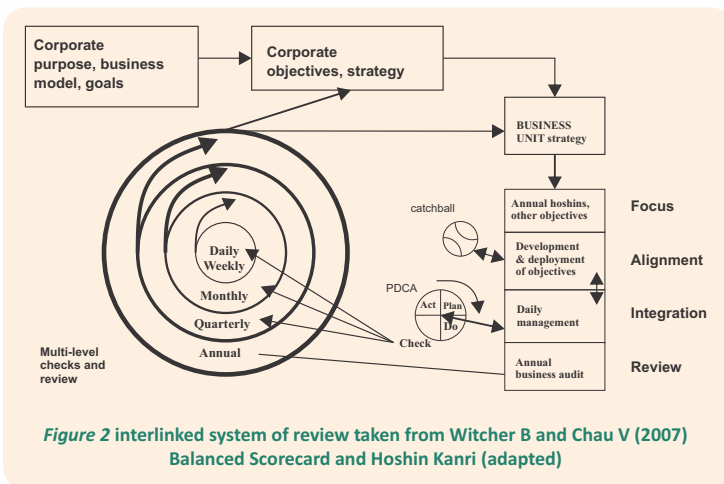
The meaning of 'review' typically suggests periodic review when progress is assessed against pre-set milestones or to review critical issues. ISO 9001:2015 calls for a review by top management of the organization's quality management system. According to the standard this must be carried out at planned intervals in order to ensure its continuing suitability, adequacy, effectiveness and alignment with the strategic direction of the organization. This system provides an essential feedback loop for organization-wide learning and an opportunity for strategic-aligned evaluation, problem-solving, and corrective action. Review is also a social activity that involves participants in a shared evaluation of objectives and facts, which reinforces consensus, especially for cross-functional management and where individuals from different functional areas may meet only infrequently.

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The stress is on review as a method for investigating issues and not centered on who is to blame. This fear of being audited has always been one of the negative outcomes of typical ISO 9001 internal audits where often opportunities for improvement are missed. If organizational leaders take accountability for an overall managed system of review, then it is likely that meetings will be held when necessary, that they are prepared, chaired, and followed up effectively. This activity relating to the quality management system's effectiveness was previously the responsibility of an appointed management representative and not necessarily that of top management. This previous mandatory requirement of a management representative is no longer a specific mandatory requirement of ISO 9001:2015 although a person may still be appointed in this position to support top management but top management retains accountability.

The *hoshin kanri* FAIR approach uses 'Review' to mean the Top Executive Diagnosis or a business (performance) evaluation, and which will include an appraisal of the annual strategic management process (*hoshin kanri*) itself. It is probably the most important vehicle for driving and facilitating organization-wide learning, especially for strategy and improvement in core organizational cross-functional processes. The participation of top management means that a wide involvement of people is more likely and the relevance of the state of health and the organization's operational effectiveness in relation to best practice will become more understood in the wider organization. Figure 2 illustrates what an inter-linked system of cascaded corporate strategy, objectives and review might look like.



ISO 9001:2015 standard is most important in this phase of implementation. Current processes need to be assessed and challenged in order to obtain improved performance.

Information obtained from review is used as part of the strategic management process shown as a sequence of interacting loops that can be used to feed back into the FAIR process. The circles to the left illustrates that data may be rolled upwards from a daily, weekly, monthly or quarterly to an annual level of review. TED is shown here as an 'annual business audit' under 'Review'. Such Top Executive Diagnosis typically concerns an evaluation of an organization's effectiveness in managing its core cross-functional processes. One of these enabling processes will be how the deployment of strategy takes place. The importance of this form of annual review is that it should involve leadership in a way that enhances its understanding of daily management that consists of various processes. This is shown in Deming's Plan-Do-Check-Act cycle, a business process approach for managing work (Deming, 1986) that is described in the introduction section of the ISO 9001:2015 standard. In fact, PDCA is an essential principle for effective *hoshin kanri*: top management should use a PDCA cycle approach to manage FAIR.

### Conclusion

The defined role of leadership has changed considerably the way the 2015 updated version of the ISO 9001 Quality management system Requirements standard should be interpreted. The challenge is going to be how this change can be effectively audited in terms of collecting objective evidence to show top management commitment to the quality management system and identifying inherent risks. Taking a diagnostic approach to consider strategic objectives is in fact fine, but these meetings must consider how progress on one objective is likely to have an impact on others particularly in terms of stated quality objectives. Linking various cross functional process relationships to the success of an organization must be understood. The advantage of deploying *hoshin kanri* and Top Executive Diagnosis activities is that the highest level of management gains this understanding, and top management can then be seen to practice more effective leadership in its implementation and execution of the requirements of ISO 9001:2015.

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The model, shown in figure 2, starts by cascading the breakthrough *hoshins* and other objectives to the various business units as "Focus" items. The next stage of "Alignment" is most important. The figure illustrates this as a *catchball* activity, a term preferred by the Americans. The Japanese would use the term *nemawashi* that is far more descriptive and means "digging around the roots" a term used for understanding what is feeding into a system before making quick decisions. The term indicates that it is necessary to look deeply into what is below the surface. The next step is "Integration" and this activity is most important in merging new targets and improvement activities into an existing management system. The PDCA cycle promoted in the



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# With the benefit of Hindsight

With acknowledgement to ASQ [www.asq.org](http://www.asq.org)

With the benefit of hindsight has anything changed in the attitude of CEO's since this article was first published in 2005?

## What do CEOs think of Quality?

In today's highly competitive global marketplace, quality practitioners must justify the cost of quality, especially with the executives in their own company. Often they lack the tools to demonstrate that quality pays rather than costs. During 2004 the American Society for Quality (ASQ) made this a priority and decided the effort required three primary activities:

1. Conduct a survey to identify the current level of thinking about the economics of quality among CEOs and other top executives in four markets: manufacturing, service, healthcare and education. This would allow ASQ to create and focus materials to prove the economic case.
2. Engage volunteers in two target markets to contact top executives and deliver the economic case for the quality message.
3. Provide members and other quality professionals with information and materials they can use in their own organisations.

The survey was conducted in January and February, and its results provided valuable information in the following areas:

- Awareness and use of specific quality techniques.
- Definition of the word "quality."
- Quality's contribution to the bottom line.
- Quality as a management technique or product attribute.
- Measuring the economic impact of quality improvements.
- The perceptions of quality as a profession.
- The attributes associated with people who practice quality.
- Sources of information that would influence executives to use quality.

### Awareness

Interviewers read a list of techniques and practices generally associated with quality to interviewees, asking them whether they were familiar with each technique or practice and whether it was being used in their company. The list included total quality management (TQM), Six Sigma, Baldrige, the ISO 9000 series of quality management standards, quality circles and benchmarking. By a wide margin in all four markets, TQM

(83.1% overall) and benchmarking (82% overall) were the most familiar. As might be expected, those in manufacturing had the highest degree of awareness or familiarity. That the service market was less familiar with all the techniques than were healthcare and education was surprising. Usage followed the same pattern, with benchmarking (60.7%) and TQM (59.3%) being used most frequently. Again, manufacturing led the list, and service was last. Interviewers also asked what other techniques the executives might be familiar with or use, and the most typical responses included lean manufacturing, continuous quality improvement, QS-9000, (now TS 16949) ISO 9001's automotive industry spin-off), internal processes and kaizen (unending gradual improvement). The conclusion drawn from the data is that there is still a significant gap between familiarity and actual use when it comes to quality initiatives or business process improvements.



### Definition of Quality

Because the study did not wish to prejudice the survey by providing a definition for quality, each person interviewed was asked what his or her definition of quality was. The most common response was "customer satisfaction." Other common answers included:

- Meeting or exceeding customer expectations through excellence in products and services.
- Getting the product done right the first time.
- Producing the highest quality product with the least expense to the company.
- Implementing an ongoing process toward perfection (continuous improvement) within the organisation.
- Setting a goal of zero defects and zero rejects.

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Within the education segment, quality was defined as the academic success of students. It was concluded from these responses that, for the most part, executives recognize quality in the same way most quality professionals do, although they generally attribute it to a specific tool or technique rather than an organisation wide system. Executives also see quality reflected basically in the product or service being created.

The results affirm the still remaining need to adopt a standard definition of quality that is accepted by everyone.

### Bottom-Line Contribution

This item in the survey was one of the most crucial and most interesting. Respondents were given two choices: that quality contributes to the bottom line (provides a positive financial return) or does not contribute (costs more than the related return). The results were stunning: 99% of the respondents said they believe quality contributes to the bottom line. This unexpectedly high level of agreement may be because respondents define quality broadly.

When asked why quality contributes, respondents most often mentioned increased revenue through repeat business, referrals and customer loyalty; less rework; and savings on labour and materials.

Only two respondents of a total of 603 stated quality does not contribute. Their reasons were, "We have found it is expensive to achieve," and "People are just interested in price, not quality."

### Management Technique or Product Attribute?

The analysis of all the verbatim responses to the question about quality's bottom-line contribution led to the hypothesis that the respondents were defining quality as a product attribute, not as a system of management.

To test this conclusion, we went back to 100 respondents (chosen randomly) and asked the question differently:

There are several definitions of the word "quality." For this question, I want to define quality as an Organisation wide, coordinated effort to use quality techniques and practices to achieve business process improvement. My question is: Do you believe this type of quality effort provides a positive financial return, or do you believe it usually costs more than the potential return?

To our great surprise, the results using the revised question were virtually the same: 92% of respondents agreed an organisation wide, coordinated effort to use quality techniques provides a positive return. If we accepted this at face value, then we would have to conclude there is no need to try to prove the economic case for quality.

In a follow-up question, the respondents were presented two definitions for the word "quality":

1. Quality is a management tool.
2. Quality is built into a product and is not a business management tool.

Given the answers to the original question, we assumed the majority of respondents would choose the second option, but that was not the case. Instead, 64% believe quality is a management tool. Surprisingly, the manufacturing segment was least ready to accept the management tool definition and service the most.

### Measuring Economic Impact

We believe it was important to understand the degree to which companies actually measure the impact of quality improvements. Responses indicated 60% measure the economic impacts of business process improvement initiative, with the manufacturing segment most likely to do so. Respondents mentioned a variety of different measurement methods including customer satisfaction mail or telephone surveys, cost benefit, analysis, trend analysis, audits, benchmarking, Six Sigma, tracking studies, returns on investment, bottom line profitability and warranty returns.

Respondents don't seem to be using a great deal of hard statistical study or data gathering and analysis, but instead favour more general types of information gathering. We've concluded this is an area ripe for additional study.

### Quality as a Profession

A question that has frequently intrigued many quality practitioners is whether their bosses see quality as a profession in the way law, medicine, engineering and accounting are viewed. Perhaps they see practicing quality more as the ability to understand and use a variety of tools and techniques to arrive at a result. So we included that question in the survey.

Interestingly, only 46.7% of the respondents agreed quality is a profession. That is quite telling, since we use the term "quality professional" with great regularity – including in this article. This survey might encourage us to look more closely at how we are defining what we do and what we might do to appear more professional.

*With acknowledgement to ASQ [www.asq.org](http://www.asq.org)*

*Comments would be welcome on the relevance of this article. Send to [exec@saqi.co.za](mailto:exec@saqi.co.za)*

**This article was published in the July 2005 issue of Management Today**



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# Celebrating IAQ's Golden Anniversary

by Gregory H. Watson



International collaboration has been a hallmark of the modern global quality movement since it evolved after World War II:

- ASQ was founded in 1946 to preserve the lessons learned when integrating quality methods into the mass production systems required to support the global efforts of the Allies.
- The Union of Japanese Scientists and Engineers (JUSE) was established in 1946 to integrate quality into the reconstruction of Japan.
- The European Organization for Quality (EOQ) was established in 1956 to disseminate quality lessons that were an adjunct to the Marshall Plan for rebuilding Europe.

Two decades into postwar reconstruction efforts, a growing awareness of the need for more formal international coordination and collaboration among these organizations emerged. The initial idea of forming an international association originated from the President of the European Organization for Quality (EOQ), Jan van Ettinger.

His idea was assimilated by ASQ Past-Presidents Armand V. Feigenbaum and E. Jack Lancaster. In his ASQ presidential acceptance speech, Lancaster sparked general interest within the society's leadership in developing such an organization as a global quality alliance, and he coordinated meeting the leaders of these three organizations to determine the feasibility of founding such a quality group.

Subsequently, in 1966, a six-person board was established to form what was first called the International Quality Association (now the International Academy for Quality, IAQ), whose invited membership would equally represent all of the three major quality organizations. The board's purpose was to design and develop a new global organization to facilitate an international exchange of information about quality to promote quality throughout all nations.

JUSE, EOQ and ASQ each nominated two individuals to form this study team, and the target was to complete the formal organization 1971. JUSE nominated Kaoru Ishikawa and Masao Kogure (who was later replaced by Tetsuichi Asaka). Two board members of EOQ were named to the new organization's board: Frank Nixon (from the United Kingdom, also supported by the British Productivity Council) and George Borel (France). From ASQ, the participants were Armand Feigenbaum and Jack Lancaster.

The original purpose of this group was threefold:

1. Coordinate attention to technical problems in quality.
2. Ensure the broad dissemination of results of such work to the greatest benefit of those concerned.
3. Promote recognition of the role and importance of quality in other disciplines as a concept and as a decisive factor in stimulating success in all disciplines.

Another force behind IAQ's establishment was Walter E. Masing, who stayed in the background because he was in high demand as the principal originator of the Deutsche Gesellschaft für Qualität, (German Quality Association, DGQ) and the EOQ. Because of their important contributions and early roles in the founding of IAQ, Feigenbaum, Ishikawa and Masing are honored by IAQ with a Founders Medal, an award that recognizes a member's exceptional service to the academy.

The first Americans initially elected as IAQ Academicians were Leon Bass, Charles A. Bicking, C. Eugene Fisher, Julius Y. McClure and Thomas C. McDermott, in addition to Armand Feigenbaum and Jack Lancaster. All had served previously as ASQ Presidents. Lancaster was elected the first IAQ president and was succeeded by Feigenbaum and Ishikawa for the following two three-year terms.

Since its founding, about 250 individuals have been elected as Academicians, and their membership has been equally distributed across the Americas, Europe and Asia and represents more than 60 nations.

In addition, the symbiotic relationship between IAQ and ASQ is observed in the fact that academicians have included 28% of the ASQ Past-Presidents, 46% of its Distinguished Service Medalists and 42% of its Honorary Members.

Perhaps even more noteworthy is that of the recipients of the ASQ Lancaster Medal – which recognizes international service and has a strong correlation to the criteria for election as an Academician – 5% have been IAQ Members.

Today, ASQ hosts the IAQ secretariat and provides its administrative support through a contractual arrangement.

IAQ Members were instrumental in founding all of the leading global professional quality organizations: JUSE, EOQ, Asia Pacific Quality Organization, Asian Network for Quality and Middle East Quality Association. They played an important role in founding more than 24 national quality organizations, and the academy continues outreach to promote quality in developing nations.

In 1983, a team of academicians – with guidance and translation support of its first Chinese member, Yuanzhang Liu – made a quality tour of Chinese cities and introduced government and business leaders of mainland China to the concept of Total Quality Management.

IAQ's current activities are supervised by its Indian Chairman, Janak Mehta, and its Hungarian President, Pal Molnar. These activities include the operation of several Think Tanks investigating various aspects of quality methods and supporting the program of quality advancement through a variety of global, regional and national quality initiatives.

Most recently, the International Academy for Quality hosted the World Quality Forum in Budapest, Hungary, which united participants in the IAQ Think Tanks with quality leaders from across the globe to consider challenges and issues facing the international quality community.

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# Corporate Reputation: It Certainly Matters

By Terrance M. Booysen and reviewed by Ian Jacobsberg (Partner: Hogan Lovells)

One hardly needs any reminding of the global economic crash and its devastating effects the world experienced in September 2008. Many businesses were brought to their knees, and countless individuals were financially ruined as a result of what could only be described as reckless trading, backed by the greed of a select group of business executives in the financial services market. And just eight years later the devastation lingers on, and a number of country leaders still cite the global crash as the fundamental reason for their economic woes and the plight of their impoverished citizens.

When looking back on this monumental disaster, most commentators would cite the decision of the United States to place two of its government sponsored enterprises on cautionary notices -- namely Fannie Mae and Freddie Mac which was done in order to ensure their financial soundness -- as the catalyst for the global economic meltdown. Just a few days later, Lehman Brothers filed for bankruptcy and this was then followed by further failures of prominent financial institutions in the US, including Europe and the Nordic regions.

*"It takes 20 years to build a reputation  
and five minutes to ruin it.  
If you think about that,  
you'll do things differently."*

**Warren Buffett**  
*American Business Magnate,  
Investor and Philanthropist*

At the time, whilst most everyday citizens would not have fully understood the causes of this catastrophe, it was unsurprising to hear many people -- who were interviewed during this period -- saying that in their opinion *Lehman Brothers* caused the global economic meltdown. There was no real mention of the sale of Merrill Lynch to the Bank of America or the American International Group's (AIG) credit default swaps and how these events also played a role. Everyone just spoke about the *Lehman Brothers* and their perceptions of the bank's reckless lending. Whilst there may be a degree of truth in the perceptions of those interviewed, the reality of the global collapse is perhaps two-fold: (i) there were a *series of events* which fulfilled a critical part in this unforgettable moment in history and (ii) these sequential events were underpinned by *fateful and poor timing*, where the greed of certain executives and their respective activities resulted in a head-on collision.

Turning more specifically to corporate reputational matters; it is interesting how few people today actually remember the CEO of Lehman when it collapsed, namely Richard Fuld and who was also known as the "Gorilla of Wall Street". With a total compensation of \$500 million during his eighteen year tenure as CEO, Fuld was known to have ruled the bank with an iron fist. With his dictatorial style, he generally prevented people the opportunity to assist him with the bank's strategic direction. Together with his Chief Operating Officer -- Joe Gregory -- who was his right-hand man; they were feared and any employee who posed any form of threat to their unscrupulous ways was simply removed. Clearly, the culture of Fuld's leadership and management style were critical reasons for the bank's collapse. Whilst Fuld's name may have disappeared from the public's memory; the name of Lehman Brothers will remain engraved in the history books as the one and only reckless organisation that changed the world for the worse, and which caused (and continues to cause) untold misery of epic proportion. With hindsight of these past events, when questioned about his role in the Lehman collapse, one wonders how Richard Fuld regards both corporate reputation, as well as his own reputation against his personal motto stating "*that was then, this is now*".

Like with so many CEOs who are associated with corporate scandals or corporate failures; one must question the impact their association has upon the organisation's corporate reputation and the manner in which this erodes the credibility of the organisation if it is left unchecked. Using the Lehman Brothers case as an example; it is particularly important that an organisation has an impeccable reputation which is underpinned with good governance. Moreover, the organisation must have a known track record for being entrusted with other people's money if it is to be successful in attracting future investment.

Undoubtedly, corporate reputation affects the way in which various stakeholders behave towards an organisation, also influencing, for example; employee retention, customer satisfaction and customer loyalty. CEO's of credible organisations regard their corporate reputation as a valuable 'intangible asset', and together with their board, they position their reputation as a strategic priority in order to, amongst other, encourage new investment from shareholders which is linked to superior overall returns.

Corporate reputation is an important factor across all four major risk areas of an organisation, these being within the organisation's strategic, operational, financial and compliance areas. There is no question that an organisation's reputation is

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critical to its long-term health and this has become a key issue for most boardrooms. Unlike previous times where an organisation's reputation was relatively safe from wide-spread and rapid attack, today the internet, blogs and mobile technology have made it possible for almost any disgruntled person -- or a vested stakeholder group -- to negatively broadcast information to large audiences in a very short space of time, and causing untold damage. The media, and more specifically social networks play a powerful role in the making and or breaking of an organisation's corporate reputation.

*"Lehman Brothers became a victim, in effect the only true icon to fall in a tsunami that has befallen the credit markets. This is the most momentous bankruptcy hearing I've ever sat through.*

*It can never be deemed precedent for future cases. It's hard for me to imagine a similar emergency."*

**U.S. Bankruptcy Judge James M. Peck**

Despite a widespread understanding of the importance of corporate reputation; the fact that it is very difficult to accurately quantify, as well as to pre-determine how to manage the associated risks, makes it an extremely difficult task to manage, let alone insure. Due to the intangible nature of an organisation's reputation, it is also generally speaking complex to measure. All efforts to safeguard the organisation's reputation require a commitment from all the organisation's key stakeholders. Whilst there are a number of measures an organisation may adopt in an effort to bolster its reputation, maintaining good stakeholder relations and engaging frequent dialogue to understand their views will go a long way to underpin the organisation's reputation. Indeed it is also critical that the organisation constantly monitors its external environment more systematically in order to identify the emerging corporate reputational threats that put their stakeholder relationships at risk. It goes without saying that "prevention is better than cure". Having a good corporate reputation is a hard-won asset; it should be defended, protected and reinforced at all times. Once the organisation's reputation is damaged, it is far more difficult to repair the damage than it would have been to take the preventive steps to avoid the damage in the first place.

Organisations that place their corporate governance and ethical business practices at the core of their strategy and operations -- and who strive for quality -- are inherently less prone to corporate reputational damage. Key to this is the organisation's unwavering commitment to provide all its stakeholders an accurate account of all its dealings -- including its risk culture and treatment thereof -- through the organisation's annual Integrated Report.

With more informed stakeholders and activists who demand greater transparency and robust governance practices from organisations, having a good corporate reputation is a non-negotiable aspect of business. An organisation's corporate reputation -- and any activities which could potentially harm its reputation -- should remain a standing item of discussion at the board and operational levels.

As the organisation's reputation can be attacked from a wide variety of angles, all employees have a role to play in its defence strategies. Getting this right also provides stakeholder's the necessary assurance that the organisation is responsive to their customer's demands, that their products and services are safe and reliable and most of all, that the organisation is visibly practicing its good corporate citizenship. Indeed, the organisation's name says it all.

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#### **About CGF Research Institute (Pty) Ltd: Services**

As an Exempt Micro Enterprise (EME), CGF is a Level 4 B-BBEE, Proudly South African complaint company that specialises in conducting desktop research on Governance, Risk and Compliance (GRC) related topics, amongst other related company secretariat, regulatory and compliance services.

The company has developed numerous products that cover GRC reports designed to create a high-level awareness and understanding of issues impacting a CEO through to all employees of the organisation.

Through CGF's Lead Independent Consultants, our capabilities include the aggregation of local and international best of breed governance reporting services and extend to;

- strategic management consulting, business re-structuring, executive placements, executive coaching, board assessments and evaluation, out-sourced company secretarial functions, facilitation of Corporate Governance Awareness workshops, IT governance, B-BBEE training through to Enterprise Risk Management (ERM) consulting.

All CGF's services cater for large corporates, small and medium sized businesses and state owned organisations. To find out more about CGF, its Lead Independent Consultants and Patrons access [www.cgf.co.za](http://www.cgf.co.za) or [www.corporate-governance.co.za](http://www.corporate-governance.co.za)



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**Our second “ASK PAUL” question for the year has been followed up by Paul himself.**

**Question to SAQI:** “Hi Paul, we are now upgrading our Quality Management System to the ISO 9001:2015 version, do we now have to get rid of our Quality Manual as it is no longer a requirement?”

**SAQI's response:**

In the ISO published document TC 176 SC2 N1271 “Frequently asked questions” the following explanation is given.

**The standard does not mention a quality manual. Is it still required?**

*“A quality manual is no longer specifically required. The new standard requires the organization to maintain documented information necessary for the effectiveness of the quality management system (QMS). There are many ways to do this and a quality manual is just one. If it is convenient and appropriate for an organization to continue to describe its quality management system in a quality manual then that is perfectly acceptable.”*

**Previous misconceptions about a Quality Manual:**

Many organizations in the past created Quality Manuals that comprised of sections that were “cut and pasted” clause by clause from the ISO 9001:2008 requirements standard and used as the basis for their QMS. In the process the descriptions and support information of the organization's actual core business processes were often omitted from the Quality Manual although

invariably the six mandatory procedures were referenced. So this activity rendered the Quality Manuals inappropriate for the purpose that was intended. It is easy to see why this happened because the standard will never be prescriptive on core business processes because the requirements in the standard are generic and core business processes will be organization specific.

### **Describing the Quality Management System**

We must be careful not to confuse the ISO 9001 requirements (rules) for **evaluating** a Quality Management System with the Quality Management System itself.

Let's use the example of playing a soccer match. FIFA is the international body that creates and maintains the rules of the sport. These rules are supported by local soccer federations such as SAFA in South Africa. That's why we have ISO at international level and SABS at local level. Now every soccer match is different but the rules remain the same. Sometimes the rules are broken and that is why we have referees to control the game. What differentiate each team are the fitness, skill and expertise of the players and the tactics that the soccer coach applies including the ability to work as a team. So just merely understanding the rules without a strategy, skilled players, teamwork and a coaching manual will not bring success. However, teams that are consistent in their approach over a season are the ones that pick up the trophies and satisfy their stakeholders. ISO 9001:2015 is also all about consistency and satisfying stakeholders.

### **Conclusion to the question**

If your current Quality Manual was based on each of the previous clauses found in ISO 9001:2008 and not on your core business processes then it will not be appropriate. However, as long as your quality manual contains sufficient documented information to show how your Quality Management System is applied and its effectiveness in relationship to your core business processes it can still be retained. You may prefer to describe how your Quality Management System functions and is communicated through your intranet or website and that is also perfectly acceptable.

**Questions relating to quality activities can be sent with the title “Ask Paul” to [exec@saqi.co.za](mailto:exec@saqi.co.za)**

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# Quality in Schools

Many of our readers are parents themselves or interact often with children. We have asked our education editor, a retired headmaster, to share thoughts on how to get Quality principles and practices instilled in young people.



## Is stress good for children?

Richard Hayward

Caring parents and teachers understandably try to protect children from harmful stress. Yet can the need to protect go too far? Are the children being denied the opportunities to develop resilience? Will such children be disadvantaged in later life because they've never been taught how to handle stress and conflict?

Oddgeir Friborg, a psychology professor at a Norwegian university, asserts that stress is healthy and especially for children. In manageable quantities, stress can be good. This form of stress is often referred to as "eustress". When the stress is too severe, it is called "distress."

An example of good stress happens at exam and test time. Most children and adults don't look forward to the experience. Yet a modicum of stress is good: the adrenalin flows, there's heightened focus on what has to be learnt, the mind is sharper and more effort is put into what has to be learnt. Such factors will usually impact positively on the final exam results.

The opposite can also happen at exam time. The child can experience negative stress. There's too big a volume of work to be studied in too short a period of time; the subject content is too difficult. The child becomes overwhelmed and despondent. Alternatively, the child over-studies, sleeps too little and the brain accordingly cannot function at an optimal level. Nobody should therefore be surprised when the final result is poor.

School life confronts children with many situations of possible stress. Children are, for example, initially somewhat apprehensive at having to give a speech to their classmates or speak on stage at an Assembly. (How many adults aren't also uncomfortable at having to speak in public?!) Being in a sports team or school play has stressful moments. Think of the rugby player's courage to tackle the huge opposing lock as he lumbers towards the try-line. Then there's the child who has to audition for a part in the school play where others are also vying for the same role.

For children to manage stress successfully and thereby grow resilience, they need support. Family, friends, peers and

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teachers play crucial roles. They're there to encourage, motivate and insist (gently but firmly!) that challenges have to be taken on. Then, of course, there'll be those times when it's necessary to console, empathise and even wipe away a tear or two. Not even the best efforts in a stressful situation ends in success. Yet the very failure, when handled sensitively, can be a resilience-growth experience.

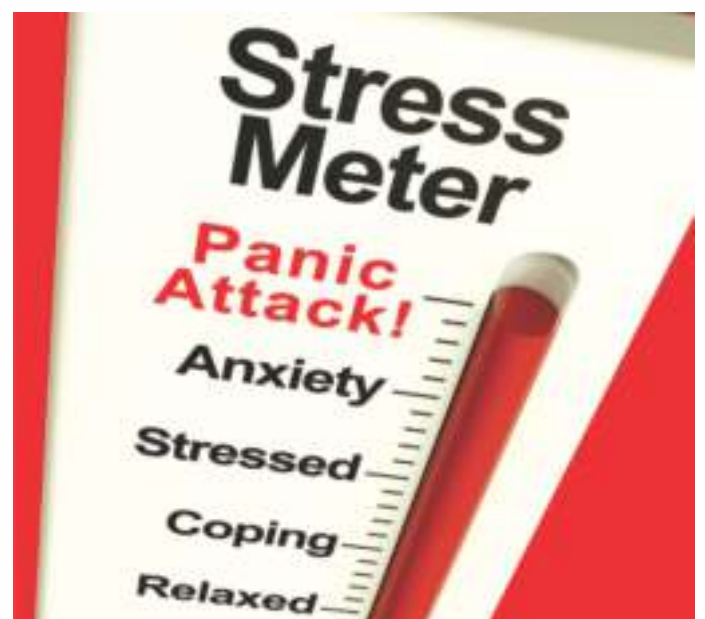
Besides being supportive, there's a need for the adult to understand the coping level of the child. What is the emotional, intellectual and physical strength of the child? What is a fair challenge that grows the child's sense of self-worth? What is an unreasonable challenge that breaks and is emotionally destructive for the child? On this point, Oddgeir Friborg reminds us:

*The person who is pushing must be aware of limits. The focus should be on developing the children's psychological strength, not destroying it.*

So, is stress good for children? Definitely, as long as one is mindful of one crucial factor ... in moderation.

### Reference

<http://sciencenordic.com/stress-good-children>. 13/03/2016.



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# SAQI Training Programme for 2016

All courses offered by the South African Quality Institute are presented in association with other course providers and are available to all organisations and individuals. SAQI can assist with the training of a company's workforce and all training packages can be run in-house at cheaper rates. A special discount applies to SAQI members. For more information or to register contact Vanessa du Toit at (012) 349 5006 or [vanessa@saqi.co.za](mailto:vanessa@saqi.co.za)

1. Each course listed on the training schedule can be completed individually or form part of the overall three levels of certification.
2. SAQI reserves the right to change details of the programme without prior notice. Click on the course code for a synopsis or [click here](#) for all course synopsis.
3. The courses listed below form part of a specific Certificate and all modules should be successfully completed to qualify for the Certificate.
4. Delegates are advised to start on Level 2 before moving on to Level 3.
5. All courses completed previously will receive credit when proof of successful completion is received.

**ALL PRICES  
EXCLUDE VAT**

Code	Course	Days	Cost	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>L2</b>	<b>SAQI Certificate in Quality Control*</b>	<b>10</b>	<b>R 18,874</b>								
B41	Introduction to Quality Control	2	R 4,277	23-24			1-2		10-11		
B90	Introduction to Statistical Techniques	3	R 5,160	25-27			3-5		12-14		
B91	Introduction to Statistical Process Control (SPC)	3	R 5,160		27-29		22-24		31-2		
B79	A3 Problem Solving	2	R 4,277		30-1		25-26			3-4	
<b>L3</b>	<b>SAQI Certificate in Quality Assurance*</b>	<b>13</b>	<b>R 24,034</b>								
B48	ISO Requirements 9001:2015	3	R 5,160				5-7				
B24	Procedure writing	2	R 4,277				8-9				
B16	Internal Quality Auditing	3	R 5,160							14-16	
B92	Advanced Statistical Techniques	3	R 5,160						3-5		
B77	Advanced Product Quality Planning (APQP)	2	R 4,277						6-7		
<b>L4</b>	<b>SAQI Certificate in Quality Management*</b>	<b>15</b>	<b>R 31,706</b>								
B38	Development of a QMS	5	R 10,693					26-30			
B01	Cost of Quality	2	R 4,277						17-18		
B58	New SA Quality Excellence Model	2	R 4,277						19-21		
B74/B76	Lean for Manufacturing/Service Industries	4	R 8,182							21-24	
B93	Policy Deployment (Hoshin Kanri)	2	R 4,277							28-29	

\* Must successfully complete all modules listed to qualify for the certificate.

**INHOUSE**

Above and beyond the courses listed on the left, we can also provide your company with inhouse training on the following topics.

- Incident and Accident Investigation (B82)
- Introduction to ISO14001:2015
- Introduction to OHSAS 18001
- Inventory and Warehouse Management (B86)
- Lean Six Sigma Yellow Belt (YB)
- Lean Six Sigma Black Belt (BB)
- Production Planning and Scheduling (B85)
- SHEQ Internal Auditing (B49)
- Supply Chain Management (B84)
- IT Process Improvement courses



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**For a list of other courses provided, please visit [www.saqi.co.za](http://www.saqi.co.za)  
Inhouse courses provided to 10 or more delegates**

