Strategic Management Systems

FPG | FOUNDATION for POLICY and GOVERNANCE

INTEGRATED MANAGEMENT SYSTEMS AS THE KEY TO STRATEGIC SUCCESS

Prepared by Michael Friebis

Introduction

For well over a decade, organizations have looked to Management System Standards (MSS, such as ISO or CMMI) to optimize their efficiency, assure their stakeholders, and to enhance their competitiveness. Individually each MSS provides a rigorous path towards best practice and sustainability.

The benefits that ensue from these standards have resulted in their proliferation. There are now over 90 ISO standards covering the vast breadth of industries, each having individual certification requirements. As a result, what began as the pursuit of strategic advantage has, for many, become an administrative burden. Time and money is spent on compliance against these MSS, instead of being allocated to strategic objectives and performance excellence.

However, there is a way to shift the perspective back to strategy and back to performance. This is through uniting separate management systems into a unified, strategic approach – an Integrated Management System.

Management Systems

Management Systems, at their simplest, are the principles and procedures used to run the organization. They are methods for completing required tasks and achieving organizational objectives. They have their own goals, tactics, plans, schedules, and controls and exist in all areas of the organization. There are management systems for finance, safety, product or service quality, customer relationship management, information technology, and human resource management.

Management systems aim to ensure individual actions align with system and organizational objectives and contribute to a culture that supports the strategic vision. How these aims are achieved depends on the type of organization and the competitive context in which they operate. Some organizations gain advantage through maintaining informal systems, while others rely on formal management systems for their success.

Informal Management Systems

An informal management system is one that has not been explicitly defined, codified, or documented. Moreover, informal management systems are not proactively managed to optimize their effectiveness or efficiency. Such systems rely on the understanding and goodwill of employees to do 'the right thing.' The extent to which informal management systems are followed depends on the visibility over actions of employees,the alignment of individual and organizational objectives, and their embeddedness in the corporate culture.

For these reasons, informal systems work well in small organizations that have a small number of simultaneous processes to manage. They allow flexibility and adaptability to respond to complex and dynamic requirements. However, balancing these advantages, there are also several significant disadvantages.

Informal Management Systems	
Advantages	**Disadvantages**
No cost burden of documenting and maintaining formal processes and procedures	Relying on goodwill increases the risks (and potentially costs) associated with non-compliance
Provides for flexibility and tailored responses to unique circumstances	No coordinated approach for optimization within or across systems
Allows for rapid innovation to improve system effectiveness	Systems embedded in culture can be difficult to change
Facilitates risk-taking as there are no formal 'rules' to constrain action	Informal systems align more with individual rather than organizational interests

Table 1 – Informal Management Systems Advantages and Disadvantages

Formal Management systems

In contrast, formal management systems are a defined set of repeatable steps, which are documented and deliberately managed. Formal management systems are invaluable in achieving greater capability and maturity in organizational systems and processes. Bringing discipline into the development, review, and improvement of management systems allows them to move from ad-hoc and informal, to purposefully managed for optimum performance.
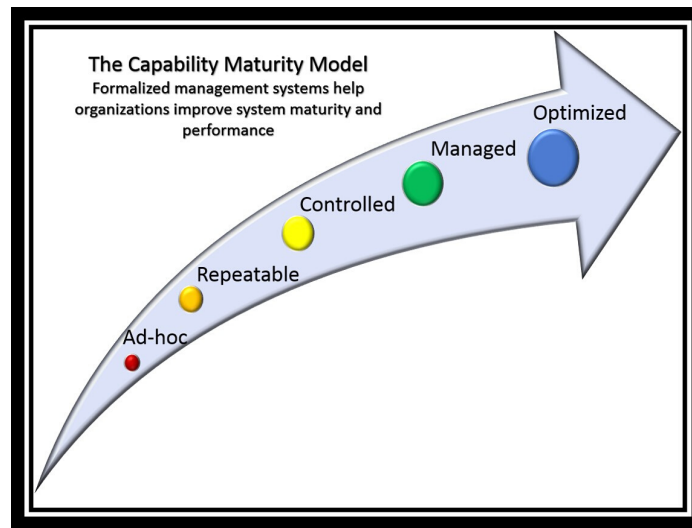
Exhibit 1 – Formalized Management Systems improve system maturity and performance

The word 'defined' in this definition is significant. It denotes that the system has a framework of exhaustive processes which are not only recorded but that there is also a set of auditable standards for each process that exist to ensure compliance with the system and the effectiveness of the system itself.

These standards are used purposefully to identify shortfalls in the systems and to deliver continuous improvement. And this is where MSS has been so valuable.

They provide a set of system standards built from a combined wealth of knowledge of the most significant contributors to organizational performance. They are an immediate and reputable source of best practice and provide the opportunity to be recognized and certified to demonstrate capability and sustainability.

While formal systems are ingrained in large organizations, they are not without their inherent disadvantages..

Formal Management Systems	
Advantages	**Disadvantages**
Proactive management of the system allows for more efficient use of resources	Cost associated with documentation, review, compliance and if required, certification activities
Increases the consistency and stability of management systems and their outcomes	Does not allow for flexibility to respond to unique situations
Provides a coordinated approach for review and improvement within the system	Lengthier process required for review and improvement
Formal systems are more likely to address organizational interests rather than individual concerns	May trade consistency and stakeholder satisfaction for efficiency
Satisfies multiple stakeholders	Individual systems may prioritize system objectives (for example, quality, efficiency) over organizational outcomes
Reduces the risk and costs associated with non-compliance	

Table 2 – Formal Management Systems Advantages and Disadvantages

A Decision To Be Made

There is no doubt that for many organizations, the benefits of formalizing management systems outweigh the disadvantages. Formalization supports consistency and continual improvement in products and services, thereby creating value for customers and stakeholders, boosting the organization's competitive position, and reinforcing their reputation. For many, formalization is the path that will help achieve the organization's strategic objectives.

However, what happens when instead of just one system to define, document, audit, and improve, you have three, or six, or ten? It is not unusual for organizations to be actively managing the certification of:

- ISO 9001 Quality Management System (QMS)
- ISO 20000-1 IT Service Management System (ITSMS)
- ISO 27001 Information Security Management System (ISMS)
- ISO 31000 Risk Management System (RMS)
- ISO 14001 Environmental Management Systems (EMS)
- CMMI SVC Capability Maturity Model Integration for Services
- CMMI DEV Capability Maturity Model Integration for Product and Service Development

In this situation, the disadvantages of formalization are compounded, and there are likely several areas of the organization dealing separately with the administrative burdens. At this point, there is a decision to be made:

1. The management systems continue to function separately, operating in parallel, and with the organization accepting the costs of duplicated effort.

OR

2. A single Integrated Management System is implemented to coordinate the effort required to achieve the advantages of formalization and to unify the systems toward the delivery of strategic objectives.

Integrated Management Systems

An Integrated Management System (IMS) is a complete overarching framework that combines all aspects of an organization's systems, policies, processes, and any industry frameworks or standards that the organization follows. An IMS allows these disparate components to be combined so that they simultaneously cover all standard-specific requirements while uniting their direction and ensuring alignment with the organization's strategic objectives.

Integrated Management Systems are the management systems of the future as they work to achieve the advantages of formalized systems and standards, minimize the disadvantages across the organization, and ensure all systems are rallied towards sustainable strategic success.

In contrast to the operational focus of individual management systems,an IMS is focused upon strategic outcomes. It recognizes and respects the crucial role that management systems play in the competitive position of the organization and works across them to create strategic advantages. While separately, management systems seek to reduce costs and improve quality in different parts of the organization, by working with common requirements and objectives, the IMS seeks to achieve these aims for the organization as a whole.
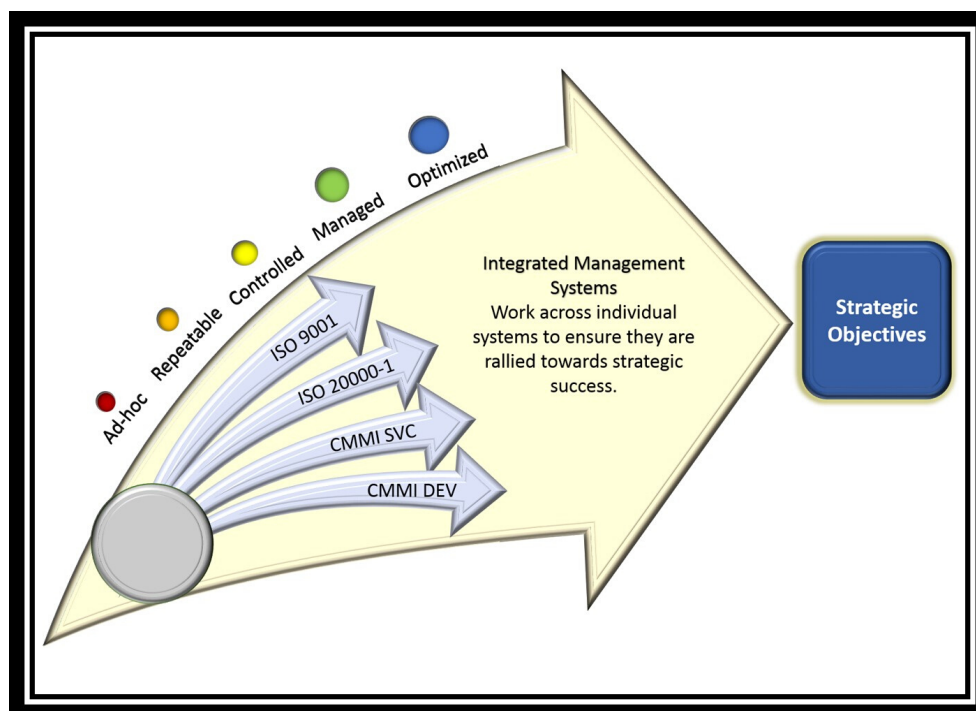

Exhibit 2 – Integrated Management Systems focus on sustainable strategic outcomes and success

There are obvious tangible benefits of an IMS, including reducing duplication of effort, optimizing processes and resources, and decreasing costs. For example, an IMS minimizes the costs and disruptions of conducting multiple external audits. There may be common procedures that can be combined to ensure consistency, with documentation and training coordinated to reduce duplication of effort.

However, there are also many potential cultural outcomes of implementing an IMS that are just as important. Running several management systems in parallel can create competition and even conflict across the system silos. By coordinating resources for common requirements, and working across functions, there is the potential to lessen this competition and improve communication and collaboration for enhanced organizational outcomes. There will also be more streamlined and consistent communication with external stakeholders, which will serve to strengthen the credibility of, and confidence in the organization.

Are Your Management Systems Destroying Value?

The ultimate aim of any organization is to create value for its customers,owners, and stakeholders. Management systems are the method by which this is done. Adopting formalized management systems is a step forward to increasing the value that your organization creates. But if you are managing these systems separately, you are destroying potential value that can be actualized through their integration. Yes, there are costs involved in doing things differently, but there are already opportunity costs being born by not implementing IMS for your organization.

At the Foundation for Policy and Governance (FPG), we have the frameworks and tools that can assist you in taking hold of this opportunity and capitalizing on the savings that an IMS can deliver. We can help bring your organization together to provide sustainable operational advantages and strategic outcomes.

Call us today on +1 908-839-5176
Or E-mail support@foundpg.com

FPG FOUNDATION for POLICY and GOVERNANCE

WHEN YOU WIN, WE WIN.

THE FOUNDATION FOR POLICY AND GOVERNANCE (FPG), A MANAGEMENT SYSTEMS ADVISORY FIRM, WANTS TO BE YOUR ORGANIZATIONAL PROCESS, GOVERNANCE, AND RISK "SUCCESS PARTNER"

Win Win
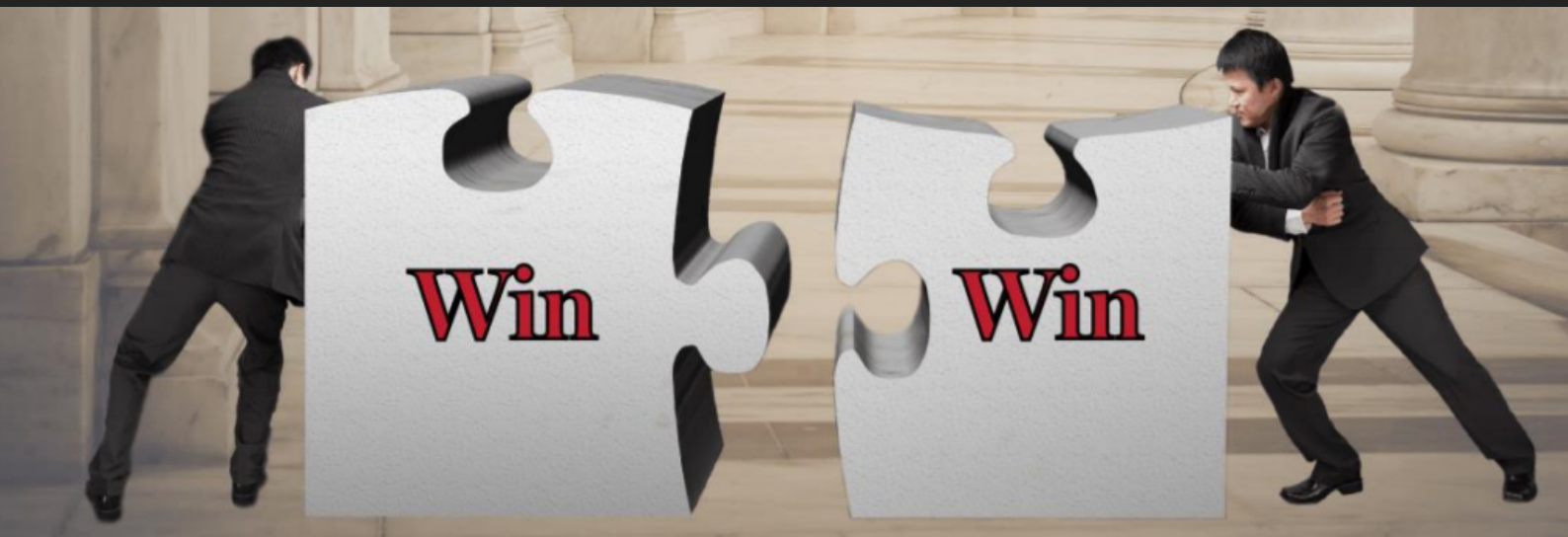
MARLTON NJ USA 08053
Telephone: +1 908-839-5176
E-mail: support@foundpg.com