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| OPINION | The status is only quo when you're dead. | REV | 01-03-08 |
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Maintaining the status quo is the perfect recipe for any enterprise that yearns to be overtaken in the marketplace, seeks smaller returns on its investment, wants to be driven out of existence by competing forces or simply desires to bleed the enterprise to death. It's a pretty good way to turn gold into lead.

Good, old-fashioned, common sense (plus the Law of Entropy) tells us that if we don't maintain a thing it will deteriorate and eventually cease to function. It needs lots of TLC, elbow grease and steady tweaking to keep decay at bay and maintain the status quo. Unfortunately the status quo is just another name for stagnation. It simply isn't a viable option for any enterprise that expects to be alive and kicking tomorrow and tomorrow and all the tomorrows after that.

We're not the only hare in the race. If we run with the pack, we'll eventually be passed. Stand still and we'll surely get flattened. It's not a question of - if it will happen – but – when it will happen.

We all know this. We all understand this. We all agree with this – at least most do.

But we also know that being a couch potato doesn't improve our health. Likewise, carrying 10, 20, 30 pounds, or more, around the middle is definitely contrary to our well-being. So why do so many of us eschew exercising or eating sensibly? And why do so many others undertake sporadic exercise "programs" and faddish diet-of-the-month regimens?

Is it the Scarlet O'Hara syndrome: "I'll worry about that tomorrow?"

Is it because change is uncomfortable and discipline downright painful?

Perhaps it's that the cure doesn't fit our need for instant gratification?

Or maybe, just maybe, it's because our physician hasn't gone nose to nose with us and jolted us with, ***"If you don't change your habits, if you don't get your body into top shape and keep it there – and soon – you are going to die."***

If that's the case and if your business is in stagnation, or worse, I'll play Doctor and speak directly to your enterprise.

- ***"If you don't change your bad habits, you are going to die.***
- ***"If you don't get yourself into tip-top shape and keep it that way, you are going to die. "***
- ***"If you don't continually work to stay at least one step ahead of competitors in the markets where it counts, you.....are going..... to die."***

Will it happen immediately, next week or next month? Not very unlikely. I am not suggesting your enterprise is ready for the Kaddish¹. But how about next year or the year after or the year after that? Could be? Might be? Probably?

¹ Mourning Prayer



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This doctor has a prescription for a long and prosperous life for your enterprise. The formulary is a compound of two ingredients:

Operational Stability + Continual Improvement

Operational stability is achieved when the results of your efforts are predictable with reasonable certainty and where the intended outcomes are consistently realized. *"If I do this in a certain way, I will always get that. And that is what I want."* When we speak of process control we are talking about achieving operational stability.

To reach operational stability the processes your enterprise uses to deliver the intended outcomes have to be part of an integrated framework of internal controls. This integrated framework is your Yellow Brick Road and the internal controls on each process are the bricks. They will keep your enterprise profitable, help it realize its mission and objectives, aid it in complying with applicable laws and regulations and minimize risks. They will facilitate rapid responses to varying economic and marketplace conditions and changing customer demands. They will be the foundation upon which the enterprise pursues future growth. Cast these bricks well, interlock them, set them and lay them straight and the road will take you to your Emerald City of Oz.

The Committee of Sponsoring Organizations (COSO)² describes these internal controls this way.

"Internal control consists of five interrelated components. These are derived from the way management runs a business, and are integrated with the management process. Although the components apply to all entities, small and mid-size companies may implement them differently than large ones. Its controls may be less formal and less structured, yet a small company can still have effective internal control." The components are:

Control Environment

--Sets the tone of an organization, influences the control consciousness of its people, provides discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the board of directors.

Risk Assessment

--Every entity faces a variety of risks from external and internal sources that must be assessed. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Because the environment in which the enterprise exists is always in flux, mechanisms are needed to identify and deal with the special risks associated with change.

² COSO is a voluntary private sector organization dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance. COSO was originally formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private sector initiative which studied the causal factors that can lead to fraudulent financial reporting and developed recommendations for public companies and their independent auditors, for the SEC and other regulators, and for educational institutions.



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Control Activities

--Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement

of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions.

Information and Communication

--Pertinent information must be identified, captured and communicated in a form and time-frame that enable people to carry out their responsibilities and to run and control the business. All personnel must understand their own role in the internal control system, as well as how individual activities relate to the work of others. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.

Monitoring

--Internal control systems need to be monitored--a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two.

“The internal control system is intertwined with the entity's operating activities and exists for fundamental business reasons. **Internal control is most effective when controls are built into the entity's infrastructure and are a part of the essence of the enterprise. "Built in" controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick response to changing conditions.**”

How would you define or describe **continual improvement**?

Many define it by the **tools** of continual improvement. They might say it's Employee Teams, Problem Solving, Kaizen, Lean Manufacturing, 5 S, Benchmarking, Six Sigma, DOE, VOC, Corrective Action, Preventive Action, TQM etc. That is akin to describing what a house is by the tools used to build one.

In this practitioner's experience, this concept – or misconception – is reason so many continual improvement initiatives fail in many organizations.

Continual improvement initiatives fail because everything with initials fails!

Got your attention, didn't I?

Applying alphabet soup (or acronyms) to something eventually leads to its trivialization. The first thing we do is draw a circle around it and, in doing so, separate it from everything else. Then it takes a life of its own. Often it starts with, “This is great stuff! It solves everything. Pop one of these magic pills and all our troubles will go away.” (Wonder why with a hammer everything looks like a nail or with Ritalin everything looks like ADHD?)



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Of course, the pill quickly works its magic on the low hanging fruit but soon you hear, “We did THAT and it didn’t work, so we stopped doing THAT and now we’re doing THIS.”

These tools should only be used within an integrated system of continual improvement. The enterprise needs to know when to take them out of the box and how to use them. To do otherwise is only slightly less dangerous than handing a 13 year old boy a chain saw. Better hope the kid never figures out how to start it, because when he does everything will look like a tree.

Continual improvement is a way of doing business. It is a regular, systematic approach (see Figure 1) to identifying, implementing and realizing mandates and opportunities for improving the business operating system, products, services, processes, people and other resources. Its activities are an integral part of the business process: not a “program.” It has a beginning but it has no end.

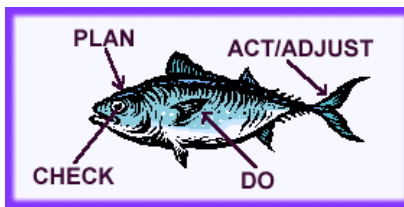


Figure 1

It focuses on (1) strategic improvement targets, set by executive management, (2) tactical targets needed to realize the strategic ones and (3) targets of opportunity you work to uncover day by day.

It doesn’t matter what systematic approach you devise as long as it employs the closed loop management cycle of Figure 1. Clothes may make the man, but continual improvement tools don’t make the system. You do. And there is only one test. Is your enterprise improving continually in all those areas that matter?

What’s a CEO to do?

Chances are your enterprise is more **in control** than not. Perhaps you have facilities, departments or functions that are new, problematic or in need of better control or integration into the whole. Maybe you have tried to infuse continual improvement into your operation with only limited success.

Assess your enterprise’s system against the integrated framework to identify where it needs to be bolstered. There are many detailed models you may use as a yardstick. The FDA’s CGMP is a basic one, though it is short on continual improvement. ISO 9001:2008 and ISO9004:2008 are better, though nearly silent on risk assessment and not definitive on continual improvement. If you want to compare your enterprise to a current “ideal”, use the Malcolm Baldrige National Quality Award criteria. In all cases, be sure to incorporate an assessment of your risk management practices.



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Once you have identified the gaps, create an action plan to close them. Don't forget Figure 1.

When to start? Scarlett O'Hara is not a good role model.

The Grade School Ideal

Good, better, best.
 Never let it rest.
 Til your good is better
 And your better best

The Post Grad Reality

Others strive for best.
 So we face this test.
 Unless our best is better
 Our fate's Eternal Rest.

Since 1991, Source4Quality, Inc. has been assisting organizations of every type improve the performance of their business operating systems and the quality of their products and services. We have worked with very small firms (1 to 10 employees) and larger ones, manufacturers, distributors, service firms and governmental entities, profit and nonprofit alike. We offer consulting and training on a broad range of disciplines.

We are especially proud of our ISO 9001:2008 Small Business Program that offers customized, practical, low cost and effective help in quality management system implementation.

Through our association with Quality and Environmental Certifications Services, Ltd., a UKAS accredited registrar, we are also able to offer ISO 9001:2008 certification services.

Revision History

1-1-2008 Changed ISO references to 2008 versions