



ISO 9001:2015 Change Management

Understanding the ROI of Change Management when transitioning from ISO 9001:2008 to ISO 9001: 2015 transition.

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INTRODUCTION

Strategic Consultants, are often asked why should we transition from ISO 9001:2008 to ISO 9001:2015? It's a fair question and to expand on it the question could be reposed as why should any organization adopt an international quality standard when they already produce quality products. There are many reasons to adopt the standard and for every organization they each bring their unique spin on the answer. In the end, all the variations of the answers will point to one thing "Value", or in other words Return on Investment (ROI). In summary there must be an ROI for the organization to move from its present state – the status quo – to a new state and again like the unique spin on the answer of why, the amount of ROI for every organization is unique.

To demonstrate the concept of ROI , this whitepaper uses the example of organizations that are now required to upgrade their Quality Management System from ISO 9001:2008 to ISO 9001:2015. The change from 2008 to 2015 is a significant one, it integrates the ISO high-level management system, risk management, change management, process management and risk-based thinking, all new concepts. In the end when it comes to an ISO transition project the organization's QA Manager should be well armed and prepared to answer what is the true ROI for the organization prior to starting the project.

A Brief History of ISO 9000 Standard

Originally adopted in 1987, ISO 9001:2015 is the fourth revision of the standard. The transition from the third revision of 2008 to the fourth revision of 2015 requires additional changes in the whole organization. Therefore, the inclusion of a change management strategy should be in the forefront of every transition plan when adopting ISO 9001:2105.

- 1987 ISO 9000 followed BS 5750's structure, with three prescriptive models focused on production composed of quality assurance in design, development and installation, installation and servicing and the third on inspection and testing.
- The 1994 revision prescribed the integration of quality assurance with the adoption of preventive actions and the increased demand on documented procedures.
- The 2000 revision prescribed a focus on process management, customer requirements and customer satisfaction.
- The 2008 revision included incremental changes and additional clarity of the 2000 revision.

Finally, the 2015 revision removes the prescriptive changes and incorporates descriptive changes that now allows the organization to describe how they adopt and implement a quality management system. This structural change now brings ISO 9001 in line with other ISO standards by adopting the high-level management system of the other ISO standards and provides management with more autonomy and flexibility with their adoption. This new autonomy and flexibility also bring new challenges of how to transition the organization from a prescriptive model to a descriptive model without losing their certification

Benefits of The New Revision

Most registrars, organizations or even consultants will point at the standard ISO 9001 benefits that include:

The 2015 revision is as much of a change in the standard as it is a change in the quality system culture.

- Enhancements in continuous improvement;
- Improvements in customer satisfaction;
- Increased leadership involvement;
- Inclusion of risk management thinking and processes;
- Improved performance measurements; and
- Improved customer focus, retention, satisfaction and acquisition.

When someone states these types of improvements they are only stating the knock-on effects of following the previous prescriptive models and saying there will be more with the new revision. More to the point the 2015 revision is as much of a change in the standard as it is a change in the quality system culture.

In comparison, the newest revision of ISO 9001:2015 the greatest benefit for the organization will be a change in culture from a prescriptive documented process driven quality system model to an integrated culturally driven quality management system model. If leadership agrees that a cultural shift will have the largest measurable impact, then the transition team needs to include a Change Management Strategy and a Change Management Return on Investment (CMROI) as part of the transition project.



A Practical Example of Changing a Culture

Relating the concept of transition and change management to a practical example. Assume a person has a desire to increase their speed by replacing their old bicycle with a new one. The assumption is that by reducing the weight of the bicycle frame, using better quality ball bearings in the hubs and improving the gearing system will allow the person to go faster. These changes, “prescriptive” in nature will ensure the bicycle goes faster, however a change in the aerodynamics or a “descriptive” change that is controlled by the cyclist’s actions will have the greatest impact on speed. In the end, it’s a change in riding culture from sitting upright to a low-profile position that creates the largest measurable impact on increasing the speed.

Change Management and CMROI

When an organization includes change management into their ISO 9001:2008 to ISO 9001:2015 transition they need to rethink the traditional ROI to a Change Management ROI by making the direct connection to project results. To do this rethinking the transition leader must shift the conversation from “What is the cost of change management?” to “How is employee adoption impact measured?”

Stated formulaically:

The conversation must shift from:

- What is the cost of change management; to
 - How is employee adoption impact measured?
- $ROI = \frac{\text{Expected Independent Project Benefits} - \text{Project Costs}}{\text{Project Costs}}$
 - $CMROI = \frac{(\text{Expected Independent Benefits} + \text{Dependent Adoption Benefits}) - \text{Project Costs}}{\text{Project Costs}}$

We define independent benefits with a measurable financial impact such as the adoption of new a software application that will reduce data input errors resulting in annual savings. On the other hand, we define dependent adoption benefits in organizational cultural change.

Further in order to establish context for change management we need to consider the following statistics:

- ***The average company loses between 10 – 30% of its customers annually;*** Source: McKinsey
- ***It costs 6 – 7 time more to acquire a new customer than to retain and existing one;*** Source: Bain and Company
- ***If you reduce your customer churn by 5% you stand to increase your profits by 25 to 125%;*** Source: Leading on the Edge of Chaos, Emmett and Mark Murphy

To further explain the benefit of change management and CMROI we'll use the comparison of two projects:

- Project 1 is the adoption of new automation software; and
- Project 2 is the adoption of a new process that reduces customer churn by 5%.

It should be noted that certain assumptions are made for comparison reasons; such as both projects have the same implementation cost, taxes are not included and profit is net of all costs.

	Project 1: New Software	Project 2: New Process
Employee Usage Impact	SMALL Once operational the number of employees impacted are few as the software reduces input errors in day-to-day work.	LARGE Once implemented most employees are impacted by changes in how they do their day-to-day work.
Employees	100	100
Annual Revenue	\$7,000,000	\$7,000,000
20% Annual Profit	\$1,400,000	\$1,400,000
Labor Rate	\$100/hr	\$100/hr
Expected Independent Benefit	\$312,000	\$26,000
Expected Dependent Benefit	NA	\$350,000
ROI	76%	
CMROI		400%

Notes:

1. Software Project: Expected independent benefit = 60 minutes saved per week;
2. Process Project:
 - Expected independent benefit = 5 minutes saved per week; and
 - Expected dependent benefit = 5% decrease in customer churn and a 25% increase in profit

Expanding upon the model in the example above we can see how CMROI can be further used by senior management as an aid in the project selection process. When comparing Projects, if change management is used as a cultural driver the investment and return in people is more than 4 times greater than the implementation of new automation of software.

ISO 9001:2015 can be implemented in several ways although a cultural change adopted through the implementation of a change management process will deliver the highest ROI for the organization. For that reason, a separate and detailed change management strategy and plan would be warranted.

About The Strategic Consulting Group

The Strategic Consulting Group's consultants have the hands-on experience and in-depth knowledge of ISO standards to help your organization reach its transition or registration goal. Our team provides strategic and practical solutions to help overcome CHALLENGES. We work with a range of private and not for profit organizations across Canada and the USA. Our approach is to develop strategies by using Predictive Analytics, Strategic Visual Harvesting and Cognitive Diversity. Integrating the three, hyper focuses a team, eliminates social influences, inherent biases, and delivers highly predictable and accurate ISO strategic solutions.

From one on one coaching, workshops, retreats and consulting mandates our services are realistic with measurable results, geared to your schedule, needs and challenges.

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