INTERNATIONAL STANDARD

ISO 10014

Second edition
2021-04

Quality management systems — Managing an organization for quality results — Guidance for realizing financial and economic benefits

Systèmes de management de la qualité — Gestion d'un organisme pour des résultats qualité — Recommandations pour réaliser des bénéfices économiques et financiers

Reference number
ISO 10014:2021(E)

ISO copyright office
CP 401 • Ch. de Blandonnet 8
CH-1214 Vernier, Geneva
Phone: +41 22 749 01 11
Email: copyright@iso.org
Website: www.iso.org

Published in Switzerland

Contents

Page

Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent rights identified during the development of the document will be in the Introduction and/or on the ISO list of patent declarations received (see www.iso.org/patents).

Any trade name used in this document is information given for the convenience of users and does not constitute an endorsement.

For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT), see www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 176, *Quality management and quality assurance,* Subcommittee SC 3, *Supporting technologies*.

This second edition cancels and replaces the first edition (ISO 10014:2006), which has been technically revised. It also incorporates the Technical Corrigendum ISO 10014:2006/Cor 1:2007.

The main changes compared with the previous edition are as follows:

— it incorporates changes in ISO 9001:2015 quality management principles, rationale and concepts;

— it has been aligned with ISO 9001:2015 and complements ISO 9004:2018;

— the content of the document has been simplified, notably with respect to terminology and structure, to make it more readily understood and applied by the interested parties, primarily top management.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

Introduction

This document is intended to be used by top management. It provides guidelines for realizing financial and economic benefits by applying a top-down structured approach. These can also be used to support other types of management systems such as environmental, or occupational health and safety. The structured approach monitors and manages key business and quality management metrics. Using validated metrics as indicators of business performance, improvement actions are taken by applying the quality management principles described in ISO 9000:2015 and the quality management system of ISO 9001:2015. The guidelines in this document can be applied to an organization before or after implementing ISO 9001:2015.

The quality management principles are:

a) customer focus;

b) leadership;

c) engagement of people;

d) process approach;

e) improvement;

f) evidence-based decision making;

g) relationship management.

Applying these principles throughout the organization is a strategic top management decision.

Financial benefits are realized within the organization by implementing and utilizing cost-effective management system practices based on the seven quality management principles. The resulting organizational and financial improvements are expressed in monetary form.

Economic benefits are achieved by:

— application of the seven quality management principles, which establish and enable a linkage between effective management and the realization of financial benefits, economic benefits and organizational goals (see Annex A);

— use of a structured Plan-Do-Check-Act (PDCA) continual improvement cycle, which identifies action plans based on data and information resulting from implementation of the process approach;

— adoption of the quality management principles in daily operating practice, through:

  — effective management of resources;

  — implementation and monitoring of management system processes to improve the overall effectiveness and efficiency of the organization.

Financial, economic and organizational benefits resulting from the application of the principles include, but are not limited to:

— improved net revenues;

— improved budgetary performance;

— reduced costs;

— reduced business risks;

— improved cash flow;

— improved return on investment;

— improved retained earnings;
— increased competitiveness (market share);
— improved customer retention and loyalty;
— optimized use of available resources;
— enhanced employee engagement;
— improved intellectual capital;
— optimized, effective and efficient processes;
— improved supply chain performance;
— reduction of unpredictable business results.

Quality management systems — Managing an organization for quality results — Guidance for realizing financial and economic benefits

1 Scope

This document gives guidelines for realizing financial and economic benefits by applying a top-down structured approach to achieving financial and economic benefits. The structured approach uses the quality management principles and quality management system described in the ISO 9000 family of management system standards to:

a) monitor and manage trends in key performance metrics;

b) take improvement action based on the observed metrics.

This document is directed specifically to the top management of an organization.

This document is applicable to any organization, whether from the public, private or not-for-profit sector, regardless of its business model, revenue, number of employees, diversity of product and service offerings, organizational culture, complexity of processes, place or number of locations.

This document complements ISO 9001:2015 and ISO 9004:2018 for performance improvements and provides examples of achievable benefits from the application of concepts in those standards. This document identifies associated practical management methods and tools to assist in realizing the benefits.

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 9000:2015, *Quality management systems — Fundamentals and vocabulary*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 9000:2015 and the following apply.

ISO and IEC maintain terminological databases for use in standardization at the following addresses:

— ISO Online browsing platform: available at https://www.iso.org/obp

— IEC Electropedia: available at http://www.electropedia.org/

3.1
metric
verifiable measurement used for quantifying or evaluating a result

EXAMPLE Indicator; performance indicator; key performance indicator.

3.2
financial benefit
organizational improvement expressed in monetary form

Note 1 to entry: Financial benefits should be realized by implementing cost-effective management system processes.

3.3
economic benefit
benefit attained through the effective implementation of management system processes and resources to generate value and improve the health and overall worth of the organization and its relevant interested parties

3.4
dashboard
combination of numerical and graphical data displays used to present the performance and trends of key results

EXAMPLE Traffic light charts; Pareto charts; pie charts; trend charts.

3.5
best practice
method that has been proven to work well and produce the best results, and is therefore recommended to be adopted as a model

Note 1 to entry: A method described as a best practice has usually been tested over time and validated through repeated trials before being accepted as worthy of broad adoption.

3.6
process approach
systematic approach to management in which an organization identifies, monitors and manages its internal processes and their interactions

3.7
process owner
person with assigned responsibility and authority for a process

Note 1 to entry: The responsibilities of a process owner can include defining, developing and deploying the process, communicating with interested parties, measuring and monitoring the results of the process and continually improving the performance of the process.

3.8
benchmarking
activity of measurement and analysis that an organization can use to search for and compare practices inside and outside the organization, with the aim of improving its performance

Note 1 to entry: Benchmarking can be applied to policies, strategies and objectives, processes and their operation, products, services and the organization's structures.

3.9
leading indicator
metric (3.1) that gives an indication of expected performance

3.10
lagging indicator
metric (3.1) that gives an indication of past performance

3.11
productivity
ability to generate, create, enhance or deliver products, services and knowledge

4 Top-down structured approach to realize financial and economic benefits

4.1 Overview

This document provides a two-stage top-down structured approach to assist top management in identifying and realizing financial and economic benefits (see Figure 1). As presented in this document, this approach is generic and applicable to any process or ongoing business condition (see Annex B).

In Stage 1, top management is responsible for identifying areas for improvement. The information is then passed on to Stage 2 in the form of assigned actions to the process owners.

In Stage 2, the process owners are responsible for developing and implementing effective improvement plans.

This same approach should be used to sustain improvements and achievements. The financial and economic benefits are achieved by:

a) monitoring and analysing key performance metrics over time:

   — in the context of the organization;

   — that represent the changing needs and expectations of interested parties;

b) implementing improvement actions, based on the analysis of the metrics, using the quality management principles together with the organization's quality management system (see Annex D).

The quality management principles are supported by the process approach, the PDCA cycle and risk-based thinking.

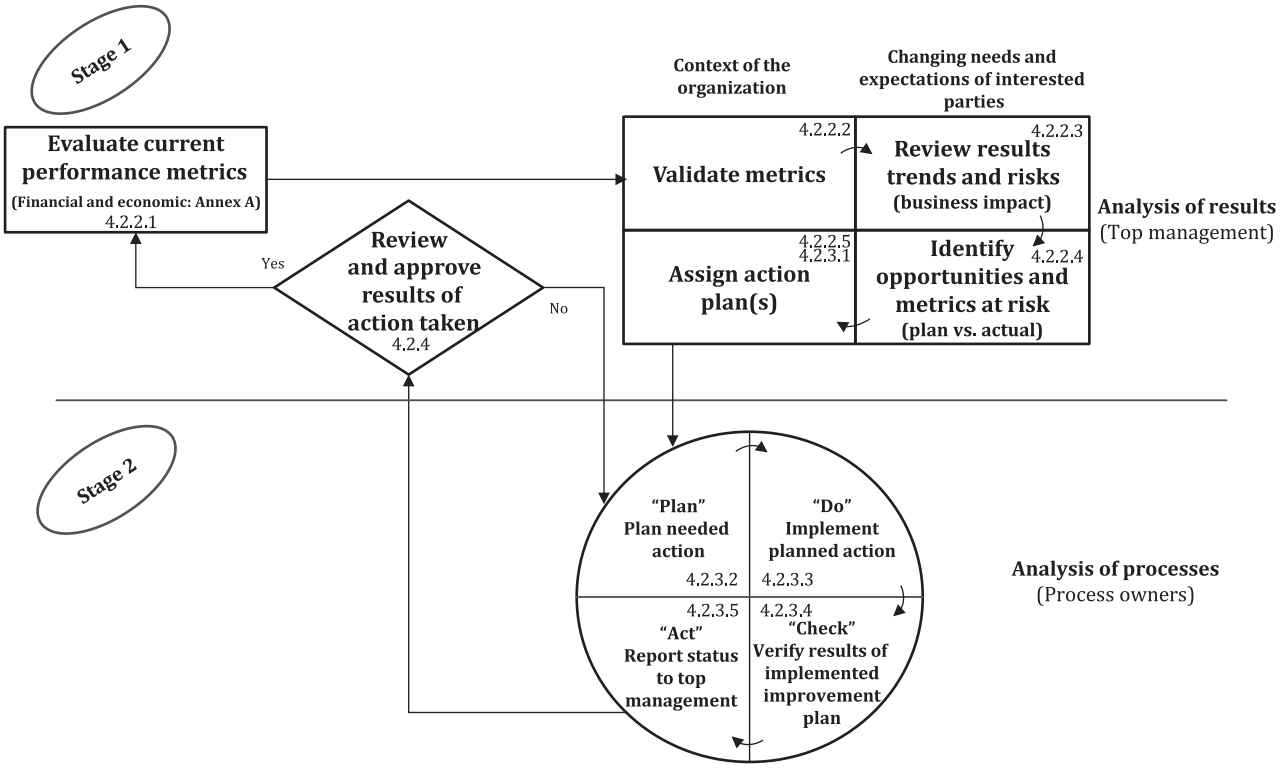
An organization should conduct an initial self-assessment, using the self-assessment tool provided in Annex C, to establish a baseline to assess how effectively it is using the processes detailed in this document. For organizations that have not yet developed a set of metrics and tools to identify and recognize risks and opportunities, they can start with the self-assessment tool in Annex C to identify gaps in their processes. As these processes improve, the organization will be in a better position to recognize opportunities for improvement through the evaluation of its business results.

Figure 1 summarizes the top-down structured approach for:

— analysing results important to the organization's financial and economic performance;

— identifying opportunities and metrics at risk;

— improving the underlying business processes.



NOTE Numbers refer to the related subclauses.

Figure 1 — Top-down structured approach for analysis of results and analysis of processes for continual improvement

4.2 Top-down structured approach

4.2.1 General

The approach for realizing financial and economic benefits is a two-stage process, as described in 4.2.2 to 4.2.4.

4.2.2 Stage 1 — Analysis of results

4.2.2.1 Evaluate current performance metrics

In Stage 1, top management starts by selecting a set of performance metrics.

NOTE 1 Particularly for small and medium-sized organizations, the performance metrics can simply be their financial performance reports.

NOTE 2 For organizations that operate as not-for-profit, the performance metrics can be their goals and objectives.

These metrics can include both leading indicators and lagging indicators.

Top management will then periodically review the ongoing performance of the organization's processes and business results against the baseline of the initial set of metrics (see Figure 1).

4.2.2.2 Validate metrics

The next step in Stage 1 is ongoing validation that the performance metrics selected by top management are relevant and useful. Validation should be conducted by correlating the performance metrics against

trends of overall actual business performance and confirming that the results provide meaningful and useful information on the performance of the management system.

4.2.2.3 Review results, trends and risks

This ongoing process will be an input to management's periodic review of performance as required by the quality management system (e.g. shareholder meetings, board meetings, management reviews). There can be synergies in reviewing all defined performance metrics and organization-level data during management review.

Metrics found to have either unacceptable performance levels or adverse trends are thus identified. Similarly, in this step, organizations can also identify metrics with exceptional results where there can be beneficial lessons learned which are applicable to other parts of the organization.

4.2.2.4 Identify opportunities and metrics at risk

The next step is to analyse the results and trends to identify those that are at risk. This analysis is performed against the organizational goals and expectations, including quality objectives. This should include a review of the processes where the metrics indicate that the processes are not performing as they should and are potential risks to ongoing performance.

For example, a performance metric that currently has acceptable performance levels but has an adverse trend over time can represent a future risk if the adverse trend is not addressed in a timely manner. Improvement actions should be identified to stop and reverse the trend (see Annex A).

Where process results are performing well against the organizational goals and expectations or trending favourably, there can be opportunities to share best practices across the organization.

Organizations should consider the use of simple graphical tools such as dashboards. For example, colour-coded “traffic light” charts can easily show trends. A metric in red colour indicates that the process needs immediate management attention, yellow (amber) colour indicates that the underlying process should be monitored more frequently, and green colour indicates that the process is operating satisfactorily. The specification limits for red, yellow and green should be established in advance to facilitate consistent communication.

Dashboards can include internal and external benchmarking to encourage organizations to achieve higher performance.

4.2.2.5 Assign action plans

After the analysis of results, top management should assign actions to the appropriate process owner(s). For metrics that indicate exceptional performance, top management can assign process owners to analyse the critical success factors, identify best practices and endeavour to replicate the process improvement successes in other areas.

For metrics showing unfavourable performance levels or adverse trends, process owners can be asked to identify the root cause of unacceptable performance, determine necessary resources and take action to reverse the trends or improve the performance of affected processes.

NOTE See ISO 10009 for guidance on root cause analysis.

4.2.3 Stage 2 — Analysis of processes

4.2.3.1 Introduction to the cycle

In Stage 2, process owners address actions assigned by top management resulting from the periodic review of organizational performance and business results (see Figure 1).