Designing, Developing and Implementing a Management System: An Overview (April 2010)

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Emily:
Welcome to our IBM Podcast titled, “Designing, Developing, and Implementing a Management System: An Overview.” My name is Emily Smorol and I work in IBM’s Corporate Environmental Affairs and Product Safety organization.

There is an accompanying presentation available to download for this Podcast. For those following along with the presentation slides, please go to slide 2.

The purpose of this Podcast is to discuss what a management system is and to provide an overview of its basic components. This Podcast is not meant to be all-inclusive but rather provide an approach to designing, developing, and implementing a management system in a sustained manner that has been successful for us – and which also may prove to be helpful to others setting out to do similarly.

Today, we are going to be speaking with IBM’s Corporate Environmental Affairs Program Manager, Patrick Aurrichio. Patrick was instrumental in developing and implementing IBM’s global Environmental Management System.

Recognizing that our audience comes from a diverse background – those with experience or familiarity with management systems and those for whom this may be a new concept – Patrick, how would you describe what a management system is?

Patrick:
Thank you Emily – and welcome to those joining the podcast. If you’re following along with the slide presentation, please turn to slide 3.

First I’d like to mention and want you to understand that there is nothing overwhelmingly special or difficult with designing or developing a management system.

Put simply, a management system is a structured framework of practices and procedures that enable an organization to execute its operations in a consistent and sustained manner.

Further, the management system is intended to be system dependent and not people dependent. What do I mean by this? People will come and go but a formal, well structured management system will provide the basis to continue business operation in a consistent and efficient manner without interruption. And as you think about it, this is important to small size companies and large companies, in that the actions and operations are repeatable and can be sustained.

And last, the management system is built on the “Plan, Do, Check and Act” model. What this means is you want to identify what it is you want to do, what are the resources and practices in place to execute what you want to do, how or what are the mechanisms to monitor execution of what you want to do and how do you use this information to continually improve upon what you have.
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Emily:
For those who may be designing and developing a management system for the first time, what are some of the components that they should think about?

Patrick:
If you turn to slide 4, I’ve listed some of the things that I would like to call basic considerations in designing and developing a management system.

To start, you should have a vision statement (a formalized policy statement or commitment). This is a tone setting statement that will govern the actions of the organization. For purposes of this discussion, and from this point on, I’ll refer to that as the policy statement.

You should then identify the elements of your activities, products and services that intersect with the policy statement. Let me expand on my use of the term “intersect”. Depending on the management system, what are the intersects of the activities, products and services of your business that impact or interface with the tone of the policy statement. For an environmental management system, that would be air emissions or waste generation, for a health and safety management system that could be confined space or hazardous communication, for a social management system that could be labor relations and working conditions.

Another consideration is to identify the legal requirements associated with these intersects. Although this is only one element of the management system, I’d like to point this out because it is a critical component – the process to identify and control legal requirements.

You can then look at the documents and procedures needed to control these intersects. This is important as this will drive the necessary internal documents to execute the management system and maintain operational control. And these documents are key to the sustainable element of the management system.

The next would be to monitor the performance against these procedures and requirements. Again, how are you checking what you do?

And then lastly, management review. Management sets the tone for the policy and should be involved with the review cycle for changes and additions.

Emily:
Patrick, once those have been addressed – what other factors should be considered?

Patrick:
If you turn to slide 5, I’ve listed a few factors that are key to success. They would include:

- Top management commitment and support – It’s not only their commitment and support but it is their involvement. They have to be actively involved with the overall management system.
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- You want to recognize that the management system is dynamic and should be seamlessly incorporated into the everyday operations.

- The management system should be robust enough to address the policy statement of the organization yet flexible enough to accommodate change rapidly and efficiently. You won’t be able to address every circumstance or situation but the system should lay out the process to address new or changing circumstances.

- You have to look beyond the initial effort to define and deploy the management system. Recognize that this will take time but for the most part this is up front. Once the system is established the time and resources should be minimal as this is integrated into the fabric of the business.

- And finally, keep it simple. As you initiate the process, keep it simple. As you start to define and develop the system keep it simple and concrete – exactly what you do. No fluff, no wish lists, no massive organization. When you have the system in place, go back to the beginning, re-look at the various components and refine and improve it and keep exactly how you execute.

Emily:
Now that you discussed some of the basic considerations and keys to success, what would be a basic structure of a management system?

Patrick:
If you look at slide 6, a management system can be broken down into five major components. They are:

1. The policy – that’s the formal statement of commitments -- the value statement that governs the business
2. There are planning – what are the intersects with that policy statement and how are you going to execute against that policy statement
3. Then there’s the implementation and operation – this is the structure – what are you going to do and what are the expectations to execute the system
4. You will then want to monitor and check execution
5. And then there’s the management review

I will go into further detail on each of these later, but as you set out to develop your management system this is a good framework to follow and consistent with the “Plan, Do, Check and Act” model.

Emily:
Taking what you just discussed, what would be the starting point in designing and developing a management system?
Patrick: If you look at slide 7, one of the first things you should take into consideration is what the company already has in place. Assess what you have. There may be current management systems for quality, health and safety or other management structures. There are internal requirements associated with documentation. What are the procedures whether they are operating procedures for machining and tooling or other communication procedures. Perform a gap analysis -- compare what you have against what you want to do. I’ll offer a little caution here. Before you can do this realistically, you really need to understand what it is you want to do, what it is you have and then you can do the gap analysis. And then begin to build on what you already have.

Emily: Can you provide a little more detail on the basic components of the management system?

Patrick: Okay, the next few slides will go into a little more detail on the requirements of the management system. If you turn to slide 8, as stated before, the policy statement establishes the strategic values that are most important to the organization and provide the foundation upon what you want to build on. The policy statement should be:

- Documented, communicated and available – both internal and external.
- It should address what is important to the business and your clients, and your company’s strategic values.
- And the policy statement should avoid vague statements – try to be as concrete so you can measure specific statements and progress.

With your policy statement in place, you can begin to plan what you need to do to support the policy. Slide 9, if you look at slide 9, planning is critical and should be holistic as practical. There are three basic areas to focus on in this step:

Identify the elements of the organization’s activities, products and services that intersect with the company’s policy statement. Which of those can you control and influence? And what are most important to control?

I touched on this already, but part of the planning stage is to establish processes to identify legal and other requirements, and to maintain compliance. What is important to note here is that this may extend beyond the physical operations and include activities, products and services you
provide to your client. Particularly if you are providing parts or services that are integrated into your clients’ business operations.

As part of the planning process you will need to set goals to help achieve and continue to improve upon your management system.

While this is important, you can temporarily put this on hold until after you’ve defined the system. But a few examples would be energy conservation, waste management, and a look at product environmental attributes.

Slide 10 will lay out a few steps for implementing and operating the management system.

Identify the requirements necessary to execute against your policy. You’ll need defined roles and responsibilities – this could be organization structure and resources.

Identify the skills, education and/or experience necessary for persons executing the requirements of the management system. This could include job descriptions, education requirements and training needs.

Processes to communicate relevant information about the management system with employees and with other external interested parties. Both internal and external communication – and where it’s a little more important is the external communication. Who can respond to external inquiries about the management system whether it’s the legal authorities, whether it’s other interested parties or clients requesting Request for Proposals and information on your management system. What you’ll need to do then is to document and control the core elements of the management system and those that are essential to maintain operational control.

And lastly you want to take a look at what could be the emergency situations that could effect the execution of the management system or parts of the management system.

While these requirements are essential to a management system there really isn’t anything here that doesn’t make good business sense. And what you will find out is most of this is already in place and what you need to do is package this in a formal management system so it’s repeatable and sustained. And remember, the system is dynamic so it could change next week and as the business changes.

The previous sections talked about the planning and execution. If you turn to slide 11, what you need to do is establish a process to monitor performance, legal compliance and execution of the management system. The assessments and formal audits should closely examine whether:

- The employees are aware of the policy statement and understand how their jobs can impact that.
- The goals and targets that are established and that they’re on track.
- The organization is in compliance with legal and other requirements.
And the procedures and processes related to documents exist where necessary for the management system to be maintained in a sustained manner.

And what you want to do then is to identify what are the records that can demonstrate legal compliance and operational control.

The results of these internal audits will provide a good sense of the status of the management system and should be periodically reviewed with top management.

Last, turn to slide 12. I will discuss the final although I’ll say some may consider this the initial step. And why I may consider this the “initial step” is that you may come out of a management review with more “to dos” to improve the system than you went in with. Remember, this is a management system with a drive for continual improvement.

The review with top management should be very candid in order to continually improve the management system. It is vital that those conducting the review be open, honest about the system status – that means sharing positives as well as negatives.

A periodic review with top management. The review should include:

- The status of the goals and targets;
- Status of compliance with legal and other applicable requirements;
- The identification of any changes to business operations;
- Discussion regarding opportunities for improvement; and
- Any actions that management identifies as need for changes to the management system, the goals, or other opportunities for improvement.

And one other thing you may bring up during the management review – Are there any need or requirements to change the policy statement in the first place?

**Emily:**
You’ve mentioned several times about continual improvement and goals, Patrick, how would one go about establishing a goal?

**Patrick:**
If you turn to slide 13, as you start establishing goal and programs to manage the goals you should:

- Identify the goal and respective target
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- Define the means – how you will accomplish this goal
- Provide a time frame to accomplish the goal
- And designate a person responsible to execute or oversee execution
- And periodically check progress

Again, this is basic program management. Set realistic but challenging goals. Recognize that you may not meet everything you set for yourself but the importance of checking progress and identifying reasons for meeting or not meeting the goal is to re-adjust.

Slide 14 provides a few examples.

These are self-explanatory, but let’s take a look at them:

- Energy conservation – You can identify what your energy use is – your conservation matters
- There’s waste management
- There’s a tremendous focus on greenhouse gas emissions and climate change:
  - So take a look at your Scope 1 emissions – these are your direct emissions from your operations
  - And then your Scope 2 emissions – these would be through purchased electricity use and establish programs to monitor and reduce that.

- Then you can take a look at your Supplier Conduct Principles – there are examples for this in the Electronic Industry’s Code of Conduct

Emily:
I understand many organizations are being asked to provide information on their social and environmental posture. How could someone go about doing that?

Patrick:
Yes there’s an increasing expectation that organizations will provide information on their operations. If you look at slide 15, you would want to start by establishing a process to disclose performance, whether positive or negative, with respect to a company’s policy statement and management system.

A lot of effort went into getting to this point. So you should take credit for some of your accomplishments. Examples of elements to disclose would be:

- The policy statement
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- The status of established goals and associated targets
- Status of compliance to legal and other requirements
- Other elements of the management system

Now this disclosure can be accomplished through several ways. The company may have a Web site, they may put together an annual report, there may be newsletters or press releases, and you can always attach something to a request for proposal. And there are other means to let external interested parties know how you are doing in relation to the stated management system.

Just beware clients are asking for this information so it makes sense to have a formal mechanism to gather and communicate this information in a consistent manner.

Emily:
Patrick, now that you’ve discussed a management system’s components in greater detail including how to go about setting goals and reporting on performance, what would be some of the things people should be cautious of in developing a management system and also what some of the advantages are in having a management system in place?

Patrick:
Let me conclude our discussion with some of the pitfalls and challenges, as well as the benefits of having a management system.

Let me start with some of the pitfalls. If you look at slide 16, there are a handful of challenges that you’ll need to be wary of:

- The perception that this is extra work and not integrated into the fabric of the business – what you want to look at is what makes good business sense and that’s what the management system will be.

- You don’t want to over document the system or you don’t want it to be bureaucratic or theoretical – this will definitely lead to trouble. What you want to do is develop exactly what you’re doing.

- Don’t design a “wish list” or "to be" system that is not reality. Keep it simple, exactly what you do or need to do and then test the system and continually improve.

- Then there’s always the fear that a documented system and job responsibilities will lead to resource reductions. That’s not the case. The case is that there is a sustained management system that will continually run.
Next I’d like to point out some of the benefits of the formal management system which in my opinion outweigh the challenges and the initial work. If you look at slide 17:

- The formal management system is system dependent and not people dependent – I talked to that already.

- But the management system also promotes and reinforces a consistent approach to executing the organization’s operations.

- A well-structured management system will foster awareness and responsibility throughout the organization and it gets away from this silo mentality.

- A formal system drives common solutions and it enhances employee mobility within the organization – and I will talk to that for a second. If there are multiple locations or areas doing the same work, a common management system will allow people and processes to move from one location to another location without any learning curve because the expectations are well known and recognized.

- This consistency yields efficiency and effectiveness.

- And it definitely helps position the organizations to respond to the inquiries from customers, stakeholders and other interested parties.

- And lastly, it does reinforce marketplace leverage.

Emily:
Patrick, thank you for the overview you provided on designing, developing and implementing a management system. We’d also like to thank those in our audience for joining this podcast. We hope that you have found the information useful.