

Return on Investment from Implementation of an ISO-based Quality Management System

The following table is based on a combination of literature references, anecdotal cases, and PQA's 15 years experience in the implementation of various aspects for over 350 different ISO-based Quality Management System implementations.

Type of Quality Management System	% of all Quality Management Systems	Estimated Return on Investment, %	Estimated Net Effect on Society, %
Fraudulent Scam	5	-1000% ?	-50.00
Occasional Compliance	10	-30 %	-3.00
Usually Try to Comply	70	-30% to +30%	0.00
Consistent Compliance	10	+30% to +600%	31.50
Walk the Talk, Effective Systems	4.9	+500% to +1000%	36.75
Centre of Excellence, Leaders & Maximum Velocity	0.1	+1000% and more	1.00
Average for Society	100%		+16.25%

ISO can be a tremendous benefit to organizations. Some organizations have achieved as high as a 1700% ROI by implementing ISO. For the average organization however, ISO has become a mediocre initiative for helping an organization remain effective &/or competitive. On average, PQA estimates that ISO has helped companies achieve only a 16.25% return on investment, as shown above.

When management, stockholders, and accountants are demanding pay backs of 100% to 300% (ie. 1 year to as short as a 4 month payback), ISO can easily become an "also-ran", or a non-starter.

Why has ISO failed, in the real world, to live up to its full potential?

While the diversity of organizations is huge, there are often only a few standard answers why ISO failed to reach its full potential. The major reasons, based on PQA's research and personal experience, are as follows:

- Management failed to understand their crucial role. Therefore management failed to act, or mis-directed themselves &/or others, or diffused their effect rather than focussing on the crucial needs in a timely manner.
- People were interested in a quick, easy fix to their problems. They were not willing &/or unable to provide the effort and self-discipline that was needed to make ISO a success.

- Everybody else was expected to change for the better, but they were fine doing what they had always done. Unfortunately, most people held this same dysfunctional opinion, so few people changed for the better as ISO required. Management accepted the results.
- Too much focus was placed on getting to the finish line (ie. ISO 3rd party certification), rather than the crucial implementation steps, the organizational development, and changes that should have been made to make ISO a new way of life for the organization.
- ISO systems were allowed to take on a life of their own, resulting in either a superficial definition of the business processes; or an encyclopaedic, bureaucratic, and unwieldy system. Both of these naturally occurring endpoints require a huge cost to generate, add little value, and are an on-going burden to the day-to-day running of the organization. Few organizations achieved balance; the mean between these two extremes.
- Management was unwilling or unable to help the people achieve over 95% compliance to the defined methods. Instead, they settle for 30% to 70% compliance. The lack of compliance causes multiple methods to co-exist; maximizing costs, mis-communications, and delays. As a result, the organization has all the old methods, plus a number of different interpretations of the new ISO methods. Staff, customers, suppliers, and management are forced to translate & inter-connect the multiple paths and methods through on-going manual intervention. Organizational complexity has grown by orders of magnitude. This creates the minimum possible ROI. It would have been better to do nothing (just the old ways that everybody was familiar with), rather than a half-completed implementation (all the old, plus numerous half understood new ISO methods).

For more information on how PQA has helped organizations avoid these ISO implementation pitfalls, and achieved the maximum ISO return on investment, please contact us to discuss the specifics of your situation.

Process Quality Associates Inc.

690 King St. Suite 2
London ON N5W 2X3
CANADA

<http://www.pqa.net>

gblack@pqa.net

Phone: (519) 667-1720 Fax: (519)-667-1722 (800) 837-7046

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"We Engineer the Quality of Your Success"

690 King St., Suite 2 London ON Canada N5W 2X3	Phone: (519) 667-1720 Fax: (519) 667-1722	(800) 837-7046 Toll Free	www.pqa.net pqa@pqa.net
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