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## ARTICLE

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### DIRECTORS MUST UNDERSTAND KEY OPERATIONAL ISSUES - ISO 9001:2015

As more organisations across the world are being placed under the corporate governance spotlight, it is not surprising that more institutional stakeholders are demanding superior performance from boards and their directors. The added pressure placed upon directors requires that they also have a greater understanding of key operational issues, and this includes keeping abreast with international operating standards. Quite unlike a bygone era when organisations could get away with sub-standard practices, or when directors simply met once or twice a year to casually discuss matters concerning their business; today informed shareholders (including activists) scrutinise the actions and public records emanating from this group of people who are ultimately accountable for the organisation. Most directors are acutely aware -- and constantly reminded -- of their joint and several liabilities which are attached to their governance functions of directing an organisation in which they are appointed. And while they are directing, they are also expected to protect all the interests of the organisation which is becoming far more difficult in an increasingly complex world. Clearly to be able to balance the act of directing an organisation, as well as mitigating risks for sustainable profits, a director needs to constantly pay close attention to the affairs of the organisation in its entirety.

Whilst it is true that directors are mainly concerned about the organisation's strategy, its sustainability and future direction; directors also need to think about the manner in which their organisation complies with a range of international standards that underpin good governance practices. In so far as directors believing that their functions remain purely of a strategic nature, ISO 9001:2015 may well shake this traditional thinking and cause directors to also consider certain operational matters which could have major risks upon their organisations, particularly when matters go awry.

ISO 9001 is an international standard -- developed and published by the International Organization for Standardization ('ISO') -- which sets out the requirements of a Quality Management System ('QMS') for organisations. ISO 9001 is a part of the ISO 9000 family, which is a series of standards that address various aspects of *quality management*.

*"To meet the Leadership requirements, we'll have to show how our Quality Policy and Objectives are '...compatible with the strategic direction...' of our organization. For me, this additional requirement will help us weave our management system into the fabric of our organization. It also heads us in the direction of making this a 'business management system' rather than just a 'quality management system'. This concept is supported by another new requirement to make sure that the requirements of ISO 9001:2015 are integrated '...into the organization's business processes...' not just the 'quality' processes."*

Article: ISO 9001:2015 - Clause 5 leadership  
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Interestingly, ISO 9001 is the only standard in the ISO 9000 family to which an organisation can obtain certification, and it is the most successful standard for management systems in the world. In brief, ISO 9001 facilitates the consistent production of good quality products and services which in turn brings many business and environmental benefits, whilst also minimising risks.

It is important to note that ISO 9001 is the core standard that most well-known standards are based on and this is certainly a good reason for directors to keep abreast of this particular standard. Considering the full ambit and meaning of "quality", the ISO 9001 standard goes a long way in determining the board's

role in the compliance of all standards which define the quality and professionalism which underpin the organisation. Whilst the last published version (ISO 9001: 2008) is currently under revision, the Draft International Standard ('DIS') version of ISO 9001: 2015 was released in 2014 and the final Published Standard is due in September 2015. What is notable about ISO 9001:2015 is that it distinctly places accountability for the organisation's quality management effectiveness on the shoulders of the board, whereas this was not the case with its ISO 9001:2008 predecessor.

The changes made to ISO 9001 can mostly be attributed to the integration of 'Annex SL'. Annex SL sets out the framework for a generic management system and will provide identical structure, text, common terms and definitions for all Management System Standards that undergo revision in the future.

Expectedly, there are a number of director and board duties with regard to the QMS of an organisation. In the event that directors or the board do not fulfil these duties, the organisation may find itself exposed in various ways with the inevitable possibility of some form of internal and or external damages, not least tarnishing the organisation's brand or image. Indeed, other forms of consequences could entail the organisation not receiving its certification, or worse, forfeiting their certification with obvious market-related consequences. ISO 9001: 2015 (DIS) contains a number of enhanced leadership requirements as compared to its predecessor, ISO 9001: 2008. In terms of Section 5.1.1 of ISO 9001: 2015 (DIS), the board shall demonstrate leadership and commitment with respect to the QMS by, inter alia:

- (i) taking accountability of the effectiveness of the organisation's QMS; and
- (ii) ensuring that the *quality policy* and *quality objectives* are established for the QMS and are compatible with the strategic direction and the context of the organisation.

It is interesting to note the level of seriousness this 'operational' topic has drawn in recent times which has not just been from the manufacturing industries, but also the services and other industry sectors. According to a recently published ISO Survey, the number of certified organisations has been steadily increasing with circa 1,129,000 Quality Management Systems certificates having been issued as at the end of 2013 (up from 127,000 certificates in 1995).

Directors preparing to obtain ISO certification, and those that already have ISO 9001 certification, will clearly need to be comfortable with this type of operational lingo in the boardroom. Furthermore, they will need to understand their roles and duties with regard to the quality management systems of an organisation if they are to be serious about "risk-based" thinking. As boards of directors are expected to constantly find new ways of bringing additional value -- as a differentiating and competitive strategy -- to its stakeholders, there's no doubt that this new ISO standard will require the commitment and involvement from a competent board and top management.

## **ENDS**

### **Words: 956**

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