



business optimization

WHITE PAPER

WINNING QUALITY STRATEGIES FOR DIVERSE SUPPLIERS

Sue Clancy
President
Copyright © 2008, **BIZPHYX**®, Inc.

Winning Quality Strategies for Diverse Suppliers

Have you ever attended a supplier event or meeting with your customer and heard that you must be certified to ISO 9001:2000 or TL 9000? Then, at the next trade show you are speaking with a prospective customer and they say you must be certified to ISO 14000 or AS9100? Then you have a meeting with a customer and they want your company to look at Six Sigma or Capability Maturity Model Integration (CMMI) qualifications?

You say to yourself, “What does this all mean? Why is certification required? What does it do for my company?” I empathize. While explaining a particular standard or tool to prospective clients, they too have asked skeptically, “Is this the quality system du jour?” Quality systems can seem like fads and deciding which one best fits your business can be overwhelming and daunting if you are not familiar with the certification your customer or prospect requires, especially for the small supplier.

Moreover, as you evaluate your customers’ or prospective customers’ quality requirements, it may seem as though the costs of achieving the needed certifications can break the bank. However, if you don’t meet the requirements you don’t qualify to be a supplier. It can be a vicious cycle.

In today’s climate of “do it faster, better, cheaper,” diverse suppliers want and need real ways to improve the quality of their products and/or services and differentiate their businesses. Quality management systems (QMS) can meet these goals. Furthermore, quality management systems help managers reduce costs and provide customers with top quality products and services. Customers demand the best and if you don’t satisfy the need for top quality, your competitors will. But which quality management system will give you the best results?

In order to determine the best fit for your business, let’s begin with a few definitions and discuss the differences between quality management systems such as ISO 9001:2000, TL 9000, AS9100, TS 16949 and quality frameworks such as CMMI, quality improvement tools like Six Sigma and Lean Six Sigma, and the Malcolm Baldrige quality award.

What is a quality management system? A quality management system is “what the organization does to enhance customer satisfaction by meeting customer and applicable regulatory requirements and continually to improve its performance in this regard.”¹ Quality management begins with compliance based standards. ISO, the International Organization for Standardization developed ISO 9001 in the mid-1980s as a basic quality standard that companies can use globally to start their quality journey. A Quality Management System is based on compliance based standards and is the documentation of a company’s processes and procedures that enhances customer satisfaction by meeting the customer’s requirement.

A quality management system such as ISO 9001:2000 is based on eight quality principles. They are:

¹ <http://www.iso.org/iso/en/aboutiso/introduction/index.html>

1. Customer focus
2. Leadership
3. Involvement of people
4. Process approach
5. System approach to management
6. Continual improvement
7. Factual approach to decision-making
8. Mutually beneficial supplier relationships

In addition, quality management systems rely heavily on the following elements:

- The use of interrelated processes
- Document and record control
- Corrective and preventive action
- Internal audits
- Monitoring and measurement
- Third party audits
- A basic model for continual improvement

All in all, an ISO 9001 quality management system provides a systematic and repeatable framework for consistently producing top quality products and services. You can see how just approaching these 8 principles along with the QMS elements would cause an organization to begin making better decisions that involve both their customers and their employees.

How does a quality management system differ from CMMI, Malcolm Baldrige or Six Sigma? Unlike quality management systems such as ISO 9001:2000 that can be applied to any kind of company, CMMI is a system focused on a process improvement approach that provides organizations with the essential elements of effective processes. While it employs many of the same principles of a QMS, its primary focus is to ensure *effective* processes.

Six Sigma and Lean Six Sigma are team building and organizational tools used to improve quality throughout the organization. Both are project based and can be used company wide or in specific areas. They are most effective at cutting costs or eliminating waste.

Malcolm Baldrige is a quality award program. Malcolm Baldrige award recipients are the “best in class” and “world class” organizations that have achieved the ultimate in quality awards. However, Malcolm Baldrige is a US centric award program and was developed by the US Commerce Department. Many states and countries have developed similar award programs based on Malcolm Baldrige such as the Canada Awards for Excellence. Companies that have applied for the Malcolm Baldrige Quality Award are audited, but these audits are only mandatory if a company is applying for the Malcolm Baldrige award – not on a regular basis.

CMMI, Six Sigma and Malcolm Baldrige have one distinct trait - they are not standards per se. Therefore, their use is optional within the organizations and they are not regularly audited by third party registrars. With definite benefits, all these tools lend themselves well to mature organizations with the self discipline needed to implement and sustain them.

With all of the quality management systems and tools in the landscape what makes ISO 9001:2000 a solid choice for many diversity suppliers? First, it is applicable to any company whether they are a manufacturer, hardware or software designer, or services company.

Next, ISO 9001:2000 is a globally recognized quality standard. Many businesses and governments throughout the world require or strongly urge their suppliers to be registered to this standard. It allows for continuity of products, design and development, and services and is for all sectors of business and government. It is applicable to any entity, both large and small, that desires to see consistency throughout their business. It also promotes an atmosphere of customer satisfaction and continual improvement for the certifying company. We have seen companies as small as two employees to tens of thousands of employees certify to ISO 9001:2000 and receive benefits from doing so.

ISO 9001:2000 is a good place to begin the quality journey. Industry specific quality standards, often known as industry sector standards such as TL 9000 (Telecommunications) or AS9100 (Aerospace), or ISO/TS16949 (Automotive), begin with and build on ISO 9001:2000 and include all of the ISO 9001 requirements in addition to their own. As a result, if your goal is to eventually register to an industry specific QMS, then ISO 9001:2000 is a good starting point. In other words, you must meet the requirements of ISO 9001:2000 plus the other industry specific requirements to achieve certification in these standards. For example TL 9000, the Telecommunications Industry quality standard has 90 additional adders to ISO 9001:2000. Certifying organizations must comply with all of the common adders plus adders that apply to their business depending on whether they are hardware, software and/or service companies.

Another benefit of certification to ISO 9001:2000 is the approach the standard sets for top management. The standard requires top management to continually monitor customer satisfaction making sure they are meeting their customer's needs. ISO 9001:2000 also requires management to look at the processes of the business and the involvement of the employees.

Finally, a system of third party audits by independent registrars ensures that companies meet standard requirements before they can be certified. Once a company receives their certification, they must maintain the quality management system. A certified company is audited regularly to ensure they stay in compliance with the standard.

In today's world you will find companies also requesting software and/or hardware suppliers to be certified to a certain level in CMMI or to implement Six Sigma tools and techniques. Six Sigma tools can be used within your quality system of continual improvement to make specific targeted improvements aimed at cost reduction.

Sector standards and CMMI overlap in certain areas and many times you can achieve many of the requirements of these various standards and CMMI through your current ISO based certification. For instance, if your organization is registered to TL 9000, you will meet most of the requirements of a level 3 CMMI certification.

Organizations such as QuEST Forum, the telecommunications non-profit organization dedicated to the telecommunications industry quality standard TL 9000, are mapping their quality standards against others to determine the similarities and differences of each standard and CMMI. In fact, for a comparison of TL 9000 and CMMI, link to http://www.tl9000.org/tl_resources/other_stds/TL_9000_and_CMMIR_Comparison.pdf. For a comparison of TL 9000 and ISO/TS 16949 link to http://www.tl9000.org/tl_resources/other_stds/TL_9000_and_TS16949_Comparison.pdf.

Perhaps after you have achieved your ISO 9001:2000 or industry specific certification, and you still have a customer requesting a different industry certification or CMMI, it would be good to look at the mapping. Sometimes just educating your customer to the fact that you are meeting many of these requirements already will satisfy their desire for formal certification.

Recently, AT&T, a pioneer in supporting supplier diversity, wanted to educate their supply chain, in particular their M/W/DVBE suppliers, on ISO 9001:2000 and TL 9000. AT&T felt it was critical for improvement in their supplier chain. Joan Kerr, Executive Director of AT&T's Supplier Diversity programs and long time advocate of M/W/DVBE companies, contacted BIZPHYX, a WBE that specializes in preparing companies for implementation and registration of ISO 9001:2000, TL 9000, and other quality programs, to help with this endeavor. "AT&T wanted to provide a way to educate and encourage our suppliers to understand the benefits of certifying to a quality management system such as ISO 9001:2000 and TL 9000. Not only do these certifications equip the suppliers with a requirement of AT&T, but with other companies and industries as well. As we look at the market place for innovation and globalization, it is imperative that we see how serious our suppliers are to quality. ISO 9001:2000 and TL 9000 are globally recognized standards and provide a wealth of quality guidance necessary for suppliers in today's competition," said Ms. Kerr.

In response to this need, AT&T invited their California M/W/DVBE executives to attend workshops held in Oakland, Los Angeles, Chicago, Dallas and Atlanta to learn more about why AT&T wanted their supply chain to take a look at ISO 9001:2000 and TL 9000 and see the benefits of certifying their companies to these quality standards. These educational overviews of the quality management systems were held jointly with AT&T and BIZPHYX.

AT&T also worked with BIZPHYX to offer a solution for their diverse suppliers to achieve these registrations at a significantly reduced price. "After Joan Kerr contacted BIZPHYX, we developed a webinar-based solution to furnish M/W/DVBE companies with a path to achieve certification in ISO 9001:2000 and TL 9000 at an affordable cost," said Sue Clancy, President of BIZPHYX. "AT&T not only wanted to educate the suppliers but provide a path forward as well."

Pete Varma, President and CEO of Intraline and a participant in the pilot of AT&T's TL 9000 program says, "We see significant improvement in our processes and procedures. We became more focused on our customers' needs and looking at how we relate to our customers. The program has been a success for Intraline. I am thankful for the direction provided by AT&T to their suppliers and for the opportunity to improve my business."

Intraline, Inc. and Intelliswift Software, Inc. received their TL 9000 certificates on January 31, 2008 and were recognized at the QuEST Forum Annual Meeting in Los Angeles for their achievements. Both companies participated in the pilot of the TL 9000 Guidance Program provided by BIZPHYX and achieved their certification in only 10 months after entering the program. Some companies literally take years to achieve certification and at a cost well above the price of the webinar program.

Teltech Telecommunications, a WBE headquartered in Edwards, Colorado, received their certification in ISO 9001:2000 and TL 9000 in 2005. Lisa Hanlon, managing partner of Teltech states, "Without these certifications, I can say we would not have met the qualifications for some major contracts we received in the past year. Not only did we receive the contracts, but when looking at customer requirements, implementation of a QMS helped us meet those requirements in such a way that we are better able to deliver on-time and with fewer problems. As we look globally to other opportunities, registration to TL 9000 and ISO 9001:2000 is a definite plus."

Vincent Stephenson of VS Supply, a professional cleaning sales and service company, is using ISO 9001:2000 certification to reinforce and communicate the company's environmental objectives, "Green friendly products and services is really at the core of what we are about," Mr. Stephenson said. "Establishing a quality policy and major objectives and documenting them helped us communicate this to our clients in a credible way and it also helps us deliver consistently on our promises." VS Supply, a participant in the ISO 9001:2000 webinars, successfully completed their ISO 9001:2000 certification audit in March, 2008.

"We feel this webinar based program is applicable for all industry specific standards such as AS9100 and TS 16949 and our goal is to provide this service to all industries. We want to see M/W/DVBE companies achieve the same level of success in the Aerospace and Automotive Industries as we have seen in the Telecommunications Industry," said Ms. Clancy.

Certification to a quality standard significantly enhances a firm's organizational DNA. It certainly improves your ability to meet your customer's requirements and shows your desire to supply quality goods and services. It puts you on a more even keel with all suppliers in your customer's supply chain, and it shows that your company is serious about quality. Although quality standards are not the end all to getting your products and services out defect free, they certainly get your organization going down the right path to preventing defects and acting on problems once they occur. Customers are more willing to work with a company that strives to provide good quality and can prove that they are doing so, then a company that doesn't. With a quality management system, you can offer that proof.

Sue Clancy is President of BIZPHYX, Inc., a company specializing in quality management system implementation and support for QMS registration. Sue, a member of American Society for Quality, began the company in 2001 with the goal of establishing business management consulting and training to companies that enables those companies to achieve excellence in their products and services. BIZPHYX works in several industry sectors to provide quality solutions for their customers. BIZPHYX is also a selected QuEST Forum trainer and QuEST Forum member participating on the leadership council and several work groups. BIZPHYX offers several services including internal auditing, training development, and customized assessments, supplier auditing and others. Ms. Clancy also co-chairs the mentor program begun by QuEST Forum in 2005. Approximately 50% of BIZPHYX clients are M/W/DVBE companies.