

Whitepaper

— ORGANIZATION CONTEXT



One of the newest parts of the new ISO 9001:2015 and related management standards are the concepts of “Context” and “Interested Parties”. What do these mean and how can you apply them to your organization?

by Pam Bethune, Automotive Regional Competency Manager, DEKRA Certification, Inc.

What Does the Standard Say?

“4.1 Understanding the organization and its context

The organization shall determine external and internal issues that are relevant to its purpose and its strategic direction and that affect its ability to achieve the intended result(s) of its quality management system.

The organization shall monitor and review information about these external and internal issues.

NOTE 1 Issues can include positive and negative factors or conditions for consideration.

NOTE 2 Understanding the external context can be facilitated by considering issues arising from legal, technological, competitive, market, cultural, social and economic environments, whether international, national, regional or local.

NOTE 3 Understanding the internal context can be facilitated by considering issues related to values, culture, knowledge and performance of the organization.

4.2 Understanding the needs and expectations of interested parties

Due to their effect or potential effect on the organization’s ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements, the organization shall determine:

- a) the interested parties that are relevant to the quality management system;
- b) the requirements of these interested parties that are relevant to the quality management system.

The organization shall monitor and review information about these interested parties and their relevant requirements.”
(Taken from ISO 9001:2015 (E))

Where Are These Clauses Located?

And why is their location within the standard important?

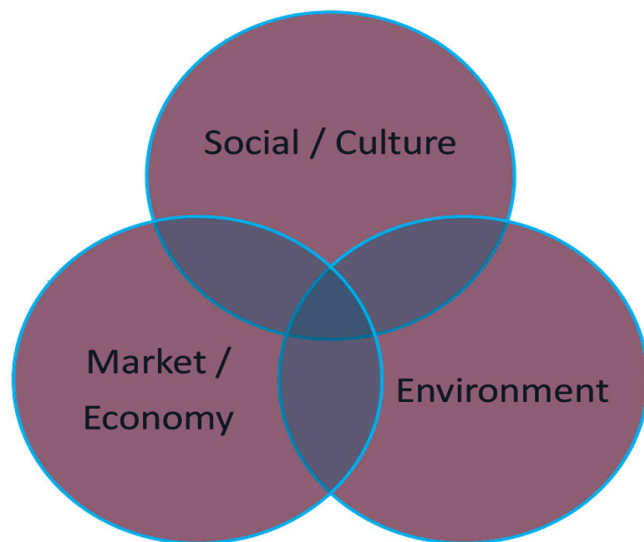
They are the very first clauses after the introduction coming before the requirement to determine the scope. Therefore they are logically required as part of the process to create the scope and the system itself. Equally logically, they are therefore key underpinnings of the new standard.

What Do We Need to Do With These Clauses?

First, the organization needs to broaden its traditional look at itself. Most companies look at their internal processes, their customers and their market. Some push that view to include the environmental impact. A few also include the social/culture of their company, their community and their workforce. The new standard is pushing organizations to include all of these in the planning for their scope and their QMS.

Top managers are starting to think about how their responses to social and environmental issues affect their bottom line (Pagell & Gobeli, 2009). In response to this shift in managerial thinking, academics posit that organizational learning is a viable strategy for the automotive industry, in order to manage the continually changing environment (Omar, Mears, Kurfess, & Kiggans, 2011).

Here is an example of context:



Each of the major elements of context intersects. The intersection of all three can create a truly sustainable position.

Breakdowns can be devastating.

The definition starts with “external and internal issues” so clearly there cannot be a simple focus on just the customers and the owners. Then the standard goes on to put some boundaries on those issues: “that are relevant to its purpose and its strategic direction and that affects its ability to achieve the intended result(s) of the QMS”. So the color of the walls in the board room is not part of the context. Determining the boundaries will be the first challenge.

“Relevant to its purpose” is the first phrase. So, what is the organization’s purpose? There are layers here. One layer of the purpose is obvious: to create the existing service or a product. Bringing in the “strategic direction” adds another layer since one strategic direction might be to grow into another product or service. The last layer is from the final phrase “that affects its ability to achieve the intended result(s) of the QMS”. The QMS exists to enable the organization to create the service or product efficiently and effectively. Together, these phrases are used by the standard to enable your organization to create the boundaries that will be critical to all of the next steps.

The organization must “monitor and review information about these external and internal issues”. Boundaries from the analysis above are required or the task is impossible. Operationally, what does this mean? It means that the leadership must determine what will be monitored, how it will be monitored, and when it will be reviewed? For most organizations, this would be annually or even less, such as every five years, as part of a strategic look. For some organizations, especially those in fast-changing environments, the review may be much more frequent. The examination of context will reveal critical information about this.

The Notes give some guidance on understanding context. Remember that the context already exists. No organization operates outside their context, but this has not always been acknowledged. This standard requires that the organization examine the context, put appropriate boundaries and take steps to monitor and review it.

A Few Examples

A service provider provides on site training and consulting to a wide variety of customers who represent many nationalities and ethnic backgrounds. One of their most skilled and capable trainers is a woman from a European country whose culture is such that a handshake at the beginning of the class is very much expected. She is training people in a class whose ethnic background holds that men should never touch a woman in such a setting. The company could ignore that possibility or could address it up front with guidance to the trainer to avoid that awkward moment when she extends her hand and it is politely ignored by embarrassed attendees.

Their context could include potential social and cultural clashes. This might be monitored using class evaluations.

A company designs clothing and accessories and contracts out the manufacturing to many different suppliers. They read that some of the countries where they have contract manufacturers have millions of people working in debt bondage. The company includes its supply base as part of their context. What, if any, responsibilities

do they have with regards to the possibility of a contract manufacturer using essentially slave labor?

This might be addressed with strong controls on who is contracted to supply the company and who is permitted to remain a supplier with appropriate reviews of the supply base.

Who Are the Interested Parties?

That next step includes determining the interested parties: who are they?

Like context, these have always been there, whether explicit or not. The question has become how openly they must be taken into account based on the boundaries taken from the context?

They can include owners or shareholders, governmental bodies (national, regional, state, county, city), business associations, employees, suppliers, customers, the communities where facilities or people are located, debt holders, etc.

Use the context to determine how far afield you need to go (i.e., what are the boundaries developed from the examination of the organization's context?)

When you have the winnowed list of who the interested parties are, then you need to determine their "Needs AND Expectations".

What Is a Need?

That will depend on the interested party. A debt holder needs to believe that your organization is financially solvent, will remain so, and will pay their debt obligations on time and in whole. A supplier needs to know that you will continue to source them, will pay the bills on time and will deal fairly and honestly with them.

What Are Their Expectations?

An employee needs to get paid, but expects fairness and honesty and may expect promotion. Some employees do not expect a promotion, but expect their work to be stress free. Expectations may vary wildly even within a group such as all of your suppliers. Some are harder to measure. For example in example 2 above, customers do not expect to read that their newly purchased clothing was made by slave labor and they do not expect to read that the clothing contains cancer causing chemicals. Expectations are highly variable and change over time.



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1120 Welsh Rd., Suite 210, North Wales, PA 19454

1-800-768-5362

Sales.US@DEKRA.com

www.DEKRA-Certification.US