



Report

State of Your Management System

An international study with 275 professionals

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Introduction

What is a management system?

A management system is the integrated set of processes and tools that a company uses to develop its strategy, to implement it in practice and to monitor and improve the effectiveness of these steps.

Management systems are designed to help organizations achieve their goals by providing a structured procedures for handling their resources, processes and results. They can be tailored to meet an organization's specific needs and goals, such as quality management, environmental management and information security management.

CANEA's Management System Report 2022 is based on a survey conducted with individuals who've worked with management systems and held roles such as quality control manager, environmental manager or management system coordinator. A total of 275 persons responded. The report presents the results of the survey as well as an analysis and related recommendations from Karl Hedman, Vice President of Management Consulting and CANEA CEO Christer Hellstrand.



Primarily responsible for the report was Karl Hedman, Vice President of Management Consulting at CANEA. With broad experience in areas such as process development, business system implementation, auditing, management systems and business strategies, Hedman has the requisite skills for properly analyzing the results of the survey from several different stakeholder perspectives.



Hedman received support in preparing the analysis from CANEA CEO Christer Hellstrand, who has over 25 years of experience in management systems, process development and business strategies.

Primary area of responsibility

The survey showed that there is a wide range of needs that a management system meets for different organizations. However, two options stand out. Risk management and reduction of quality deficiency costs placed in the top three for most respondents at 54%.

54% Risk management

54% Reduction of quality deficiency costs

25% 25% survey respondents believe that reducing the costs of quality deficiencies is the area most supported by the management system. We would have expected a reduction in the related costs to be at the top of the survey. The reduction of quality deficiency costs has been on the agenda for quite some time, and it is something that many feel is an important aspect of a management system's purpose.

Quality deficiency cost in modern organizations often arise at the borders between different parts of an organization. In cross-border collaboration, there is always an increased risk of misunderstandings and problems. The management system reduces this risk by making processes visible and supporting collaboration. A management system should also make it possible to track and identify where quality deficiency costs arise and to give us the tools to minimize them.

“Reduction of quality deficiency costs is a natural aspect of the purpose of a management system”

Christer Hellstrand, CEO of CANEA

On the other hand, we had not expected to see risk management quite so high. Historically, risks have not been prioritized by organizations in day-to-day operations. Over time, we have also seen that risk management is something that many organizations have found difficult to work with in a structured manner.



Karl Hedman, Vice President of Management Consulting at CANEA, offers a possible explanation:

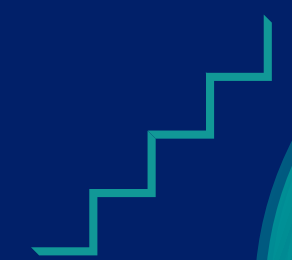


“I believe that risk management has gained a greater place in society at large, as a result of the dramatic changes in the world we’ve seen in recent times – a pandemic, war and a clearer threat to information security.”

Christer Hellstrand, CEO of CANEA



Risk management starts at a strategic level. You need to conduct a strategic risk analysis to understand which areas are prioritized and which areas the organization needs to work on further developing. The challenge for many organizations is in connecting the strategic plan and risk analysis with the practical reality of the organization.



Management Systems and Customer Satisfaction

Very few organizations see the management system as an important means of support for achieving higher customer satisfaction. Only seven respondents of the 275 surveyed put customer satisfaction in the top three and only two chose it as number one.

7/275

We at CANEA were surprised that more people don't rank customer satisfaction higher. In our opinion, management systems are largely about establishing a customer focus in the organization, not least when it comes to quality management systems. We recommend four steps for achieving customer focus.

- Evaluate what's important to your customers, so you can be good at what your customers value.
- Formulate goals for what should be prioritized and how good these should be.

“Promoting customer satisfaction should be one of the cornerstones of what the management system should achieve.”

Christer Hellstrand, CEO of CANEA

- Set up smoothly functioning working methods and processes that allow you to keep your promises.
- Follow up on what customers think and make adjustments accordingly.

Complete results

Rank the three areas most supported by your management system

The answers show the proportion of responses in the top three.

- Risk management 54%
- Low quality deficiency costs 54%
- High efficiency 44%
- Management by objectives 36%
- Implementation of our strategy 26%
- Good dissemination of knowledge 22%
- Efficient use of resources 19%
- Communication and information security 18%
- Support for continuous improvements 13%
- Innovation and development 6%
- High customer satisfaction 3%
- Other 2%

Taking the process perspective is the greatest challenge

The top four challenges identified by the respondents in achieving the desired impact with their management systems.

33%

User-friendliness

33%

Knowledge level

38%

Management Commitment

47%

Process perspective in the organization

That the process perspective tops the list confirms what we have often seen in our assignments. Many organizations do not understand the purpose of the processes, which leads them to rely blindly on what is required by the standards. The result is that there is too much focus on process maps and not enough on what the final outcome should be for the customer. The process perspective is about getting people in the organization thinking in terms of flows and where these flows should lead.

“The process perspective is something that many organizations have difficulty in achieving, despite working with it for a considerable amount of time”

Christer Hellstrand, CEO of CANEA

The process perspective is about collaboration over demarcation lines, which places demands on an overall perspective. In organizations, line results often take precedence over the processes when looking at what is evaluated and rewarded, even if management says that processes should be prioritized.

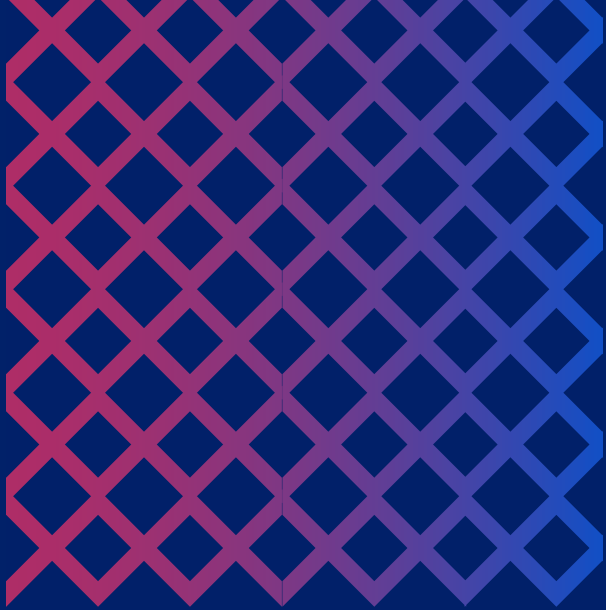
We have four recommendations for how organizations can achieve a process perspective:

- It must be prioritized by management.
- Set up the right process structure.
- Ensure that the correct roles are connected to the processes.
- Ensure that the roles have space and a mandate.

Management commitment

We also see a connection between the three most common challenges. Often it is the lack of management commitment that is the reason for the process perspective not being prioritized, and that there are difficulties in achieving it. Management often finds it difficult to see the connection between the strategy, the management system, the

process perspective and the internal “cost of failure”. To create management commitment, we recommend knowledge development in combination with a workshop related to the relevant activity. This is usually an eye opener and leads to the management group seeing the value of implementing changes.



“There cannot be process orientation without management buying in.”

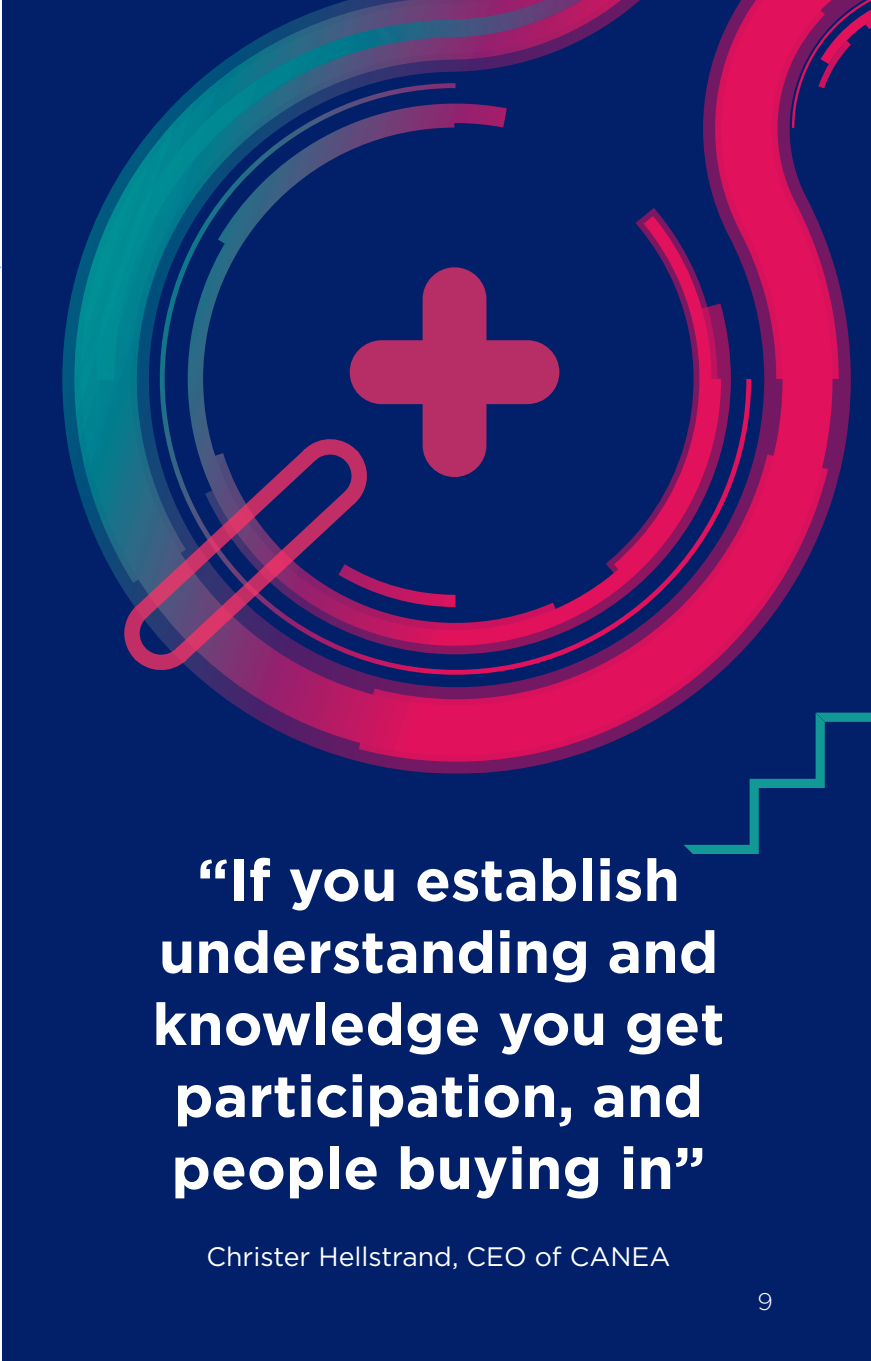
Christer Hellstrand, CEO of CANEA



Employee knowledge level

Lack of knowledge among the employees is also a common reason for organizations viewing the process perspective as a challenge. The solution is to increase knowledge of the processes and the value of the process perspective by training process administrators and other employees who are involved. The solution seems obvious, but we regularly meet process administrators, with responsibility for complicated processes, who have neither the expertise nor have

plans to train. The lack of knowledge, or unwillingness to learn, about how the management system works is often the result of inadequate dialog between management and employees. Through their actions, many organizations have unintentionally indicated that the management system is an obligation, rather than valuable support for day-to-day operations. Teaching employees in the value of a management system is the best way to raise both the level of expertise and the will to learn more.



“If you establish understanding and knowledge you get participation, and people buying in”

Christer Hellstrand, CEO of CANEA



User-friendliness

We're a little surprised that user-friendliness is in fourth place in the survey. It has often been the clear winner in similar surveys.

CANEA divides what affects the user-friendliness of a management system into two areas:

- The basic philosophy and the basic structure of the actual system.
- Conditions and assistance for users of the system.

The basic philosophy and basic structure are often a challenge for organizations. If those are not correct, it doesn't matter if the detailed content is good.

Which conditions the users are given and how well assistance works largely depends on how user-friendly and adaptable the system support is. Smoothly functioning system support means that the users find relevant content based on their searches.



Quality management system

Organizations see a future where the content of the management system governs and supports strategy work more, where internal needs matter more than external requirements and where the requirements for measurable effects from the management system will increase.

The fact that these three alternatives come out on top shows a maturity and increased competence among those who work with management systems. We also see a clear connection between the top alternatives.

Companies need to get better at breaking down their strategies, but to be able to do this, they need to focus on establishing management processes. We also believe that goal-setting will need to be more integrated with the management systems, compared to what is often the case today. At present, only environmental goals and quality goals are normally included in the management system, while financial and other growth goals in the business plan are seen as something separate from the management system.

Companies that want to succeed in the future need to be more structured in work with strategy and strategy breakdown, and ensure that all aspects of working with goals are integrated with the management system. For this to happen, companies need to establish functioning management processes that systematically describe how to work with strategy development, strategy breakdown and management by objectives. By having a clear plan for the levels of the organization at which measurements should be made, you can ensure that you optimize for the whole and the strategy rather than for individual units. This is something that we know that many organizations have difficulties with, but if you succeed with this, you can achieve all the goals in the top three. With management processes that describe how the strategy should be broken down and measured in the organization, in order to optimize for the whole, the management system will generate results both as a result of the internal needs and the external certification requirements.

More guidance and support for strategy work - 29%

Is the content more aligned with internal needs than external requirements - 28%

Increases the demand for measurable effects - 27%

Increases the share of digitalized processes - 23%

Are there other types of content in addition to routines, templates and checklists - 23%

Will more requirements from standards, industries and legislation be met - 22%

Is the interface more situational - 15%

Will the focus shift from single processes to value streams involving multiple processes - 22%

Does an IT system hold a larger portion of the content - 13%

More data-driven decision-making takes place - 8%

Includes more soft questions - 7%

Have more improvement measures & fewer initiatives - 7%

Customer responsibilities*

Other

A Data-Driven Future

Companies are not seeing the potential in the data-driven management systems of the future. Only 22 respondents see more data-driven decision-making as a likely development of the management system within a 5-year period.

Margins for companies are decreasing while the pace of development is increasing. Speed and availability of data will be key to future competitiveness. In the future, a delay between what is being done and what management can deduce will not be accepted. Effects will be reported to management in real-time using automated data flows, allowing them to effectively evaluate decisions and implement appropriate actions.

The need for data availability and speed will lead to a development where different companies in the value chain work together in interconnected management systems and that they share working methods and processes more actively than they do today.

The need for a data-driven mindset also extends to what we have abbreviated in the graph as "Customer responsibilities". And we're seeing a trend where it's becoming more and more common for customers to place

orders themselves, instead of having an employee placing them. Such as when you order a hamburger at McDonald's or book a cabin in the mountains.

There is a high probability that this trend will continue. In other words, the management system of the future must not only guide and support employees and partners, but also customers.

"The management systems of the future will increasingly help users make the right decisions through real-time processing and AI"

Christer Hellstrand, CEO of CANEA

Short-Term Priorities

Process-improving projects and working methods for goals, measurements and follow-up are prioritized in many organizations in the short term.

When asked, “Which developments or measures are planned for your management system over the next 12 months?”, 34% stated that they plan to review their working methods for goals, measurements and follow-up, and 34% that they plan to implement projects for process improvements.

The focus on process-improving projects is in line with what we saw in the question of challenges, where taking the process perspective was seen as the biggest challenge. See pages 6 and 7 for suggestions on how to meet the challenge of creating a process perspective.

That “Review of working methods for goals, measurements and follow-up” tops the list is a sign of a shift in what the management system is used for most in organizations. Historically, man-

agement systems have mainly been used to describe processes and detail working methods, routines and instructions.

The result is a sign that organizations are beginning to realize that what really governs people in everyday life is what is measured, followed up and asked for by management. We also see that this trend towards goals and follow-up is an important step on the way to CANEA’s vision of the data-driven management system of the future, which we addressed on page 13.

34% Target management and follow-up

34% Process-improving process

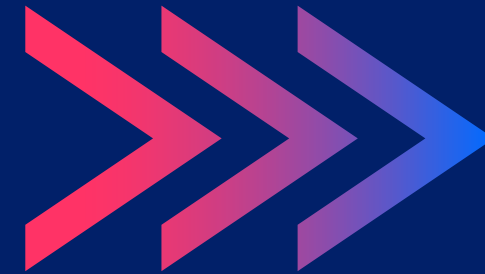


The survey shows that very few organizations have plans to implement improvement and efficiency projects at present. Only 3 respondents, out of 275, state that their organizations have plans to implement an efficiency project, and 19 that they have plans to implement an improvement project.

In our opinion, work with efficiency and improvement is being carried out in organizations, but it is usually conducted fragmentarily. Either you take advantage of employees' good ideas, to the extent that they come up with them, or you react to the problems that arise and try to solve them in the best way.

This type of improvement project often becomes ad hoc, which leads to not achieving the results you hope for and need.

The type of work with improvements that you want to conduct, in our opinion, is challenge-driven improvement activities that provide a direction and more often leads to the desired results. There is a wide range of philosophies and tools that can be used, including Lean and Six Sigma, to identify improvement initiatives. Which tool you choose doesn't really matter; the important thing is that the initiatives are carried out systematically.



In our opinion, organizations do not see the connection between the management system and improvement management. We are convinced that management systems have an important role to play in achieving systematic improvement management. A management system creates a basis for bringing order to the processes and creating a consensus around them. It helps to identify what has gone wrong and when, and then, based on this, be able to identify challenges and establish challenge-driven improvement management.

Two clear shortcomings are evident in our research

The survey shows that many companies' management systems do not manage and control their organizations well and that management reviews are inadequate.

Respondents were asked to rate their organization in a variety of areas. The majority of the areas, ten out of twelve, received average ratings between 3 and 4 out of 6, which is what one might consider to be an acceptable, if not a remarkable level. Two areas, however, stand out with low average ratings between two and three out of six.

“Managing and controlling the most important activity for the management system” is given the lowest average

rating of 2.5 out of 6. Only 5 respondents state that their management system does this “Very well”. We had not expected the results to be quite so negative and we see it as problematic as “directing the company” is one of the most fundamental areas that a management system should support. It's clear that the management system is not a natural part of the employees' everyday lives. Organizations need to change their perspective and increase the availability of the management system in all parts of their organizations.

The results show that many organizations have failed in their prioritization when it comes to what the management system and management system activities

should focus on. We recommend that organizations identify and maintain the “right” focus by conducting a workshop where the organization's critical success factors are defined.

Directing & controlling the most important activity for the management system

2.5/6

Management review

2.7/6



“The management review needs to be integrated with routine strategy management in a much more natural way”

Christer Hellstrand, CEO of CANEA



“Management review” has the second-lowest average rating of 2.7, with 7 respondents stating that management reviews in their organizations are “Very good”.

We believe that this is due to the management reviews having strayed too far from actual strategy management.

A management review is often conducted as a separate meeting, while strategy is discussed during dedicated strategy days and at lunch meetings.

For organizations to get the full potential of a management review, we recommend integrating it with routine strategy management in a more natural way. For example, organizations can conduct this as a workshop where you use the language of management and connect the management system to the challenges and problems discussed in the management team.

Summary

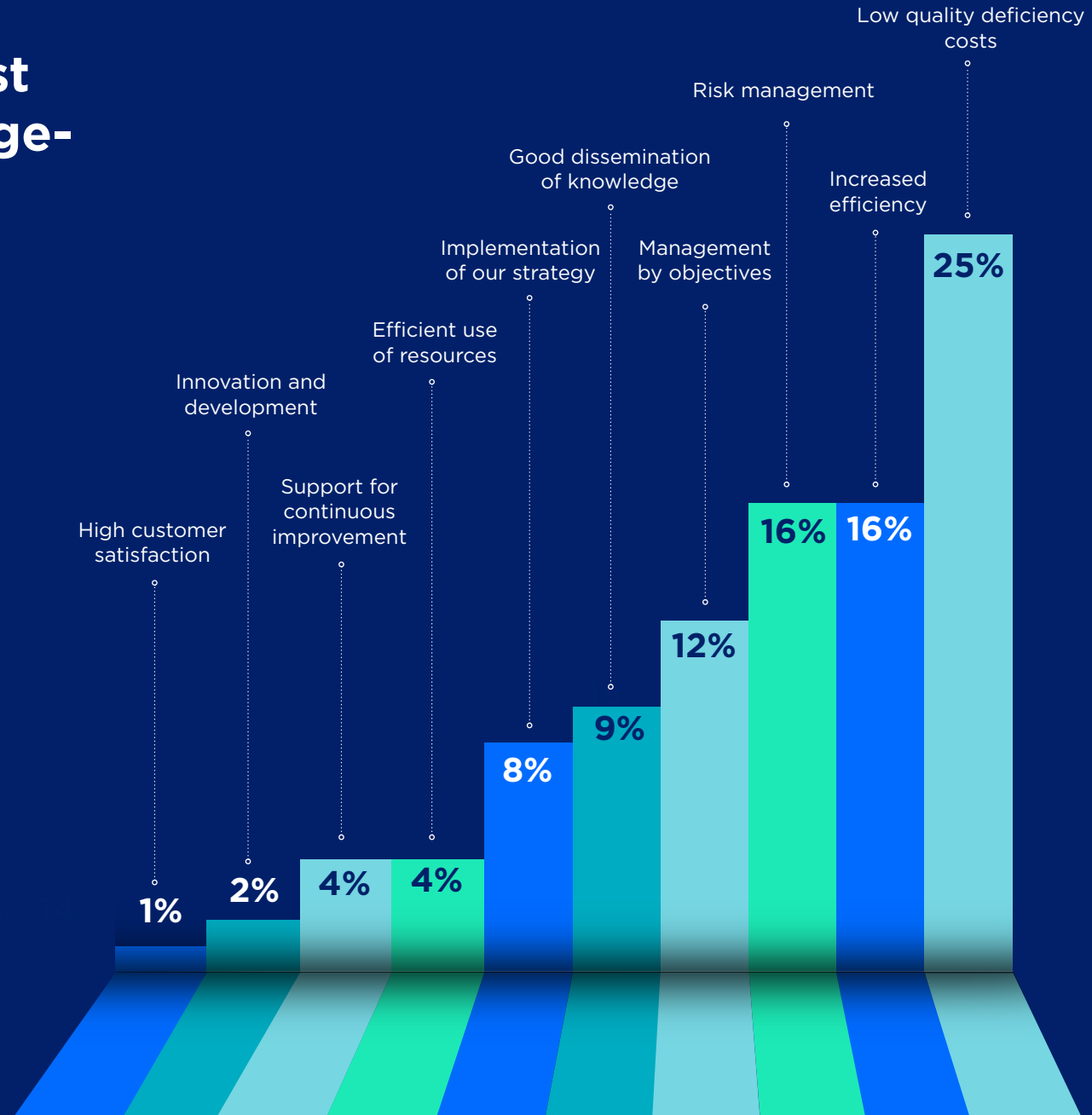
The survey showed that taking the process perspective is the main challenge for many organizations today. The focus is often on process maps and standards instead of thinking in terms of flows and customer needs. Measures must be prioritized by management and a good structure created for the processes, with the right roles and mandates, in order to achieve a process perspective.

Many organizations see a future where the content of the management system increasingly governs and supports work with strategy, where internal needs are more important than external requirements, and where the requirements for measurable effects from the management system will increase. Companies need to establish functioning management processes to better break down their strategies and integrate goal-setting with their management systems. By optimizing for the whole rather than the individual parts, all three goals can be achieved.

The results of the survey indicate a shift in terms of what the management systems are primarily used for. Instead of focusing on describing processes and developing work routines, more organizations have realized that it is what is measured and followed up by management that motivates employees in day-to-day operations. We at CANEA see this as an important step on the way to the data-driven management system of the future, where effects are reported to management in real time.

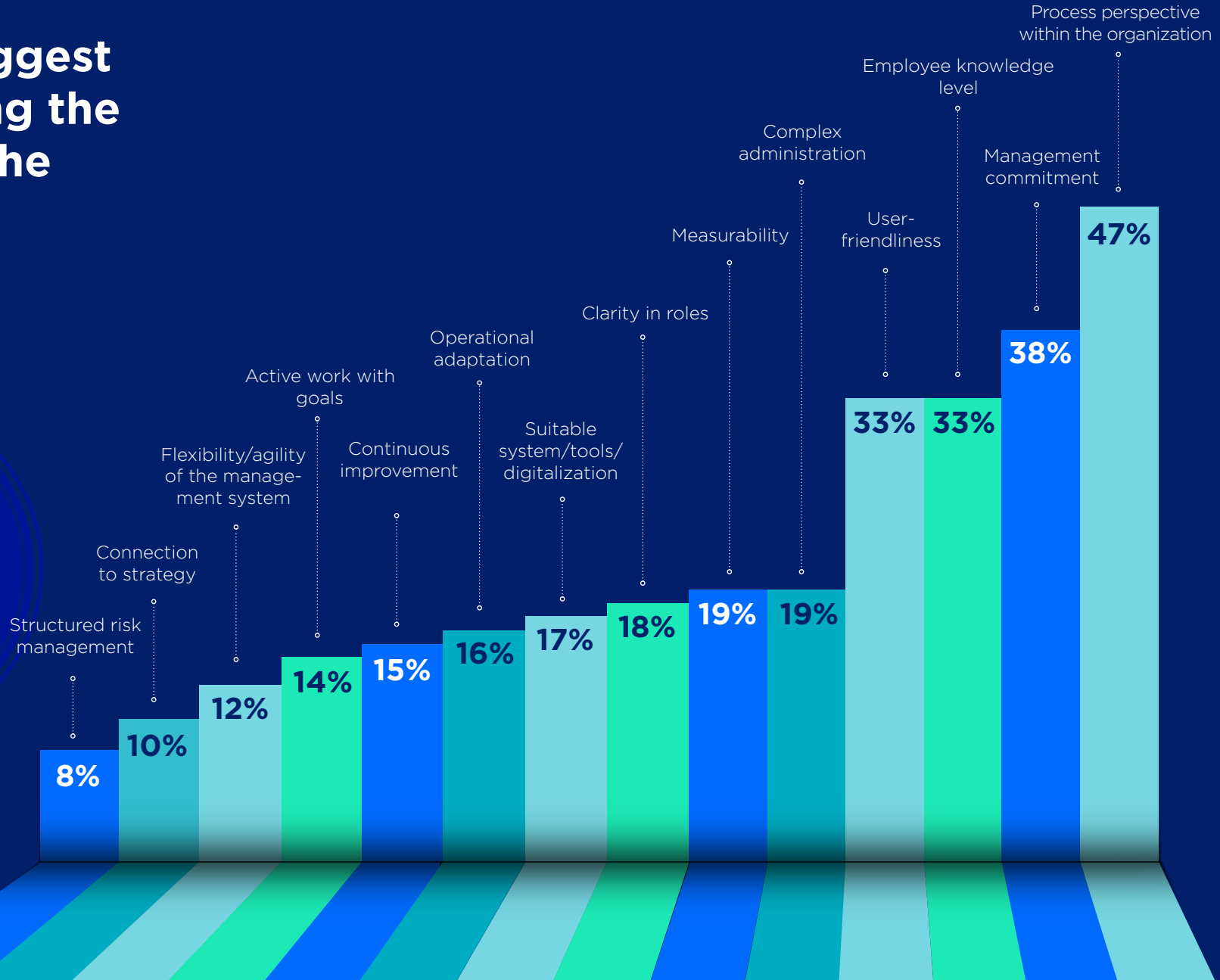
Rank the three areas most supported by your management system

Percentage of respondents who indicated that this area is most supported by the management system.



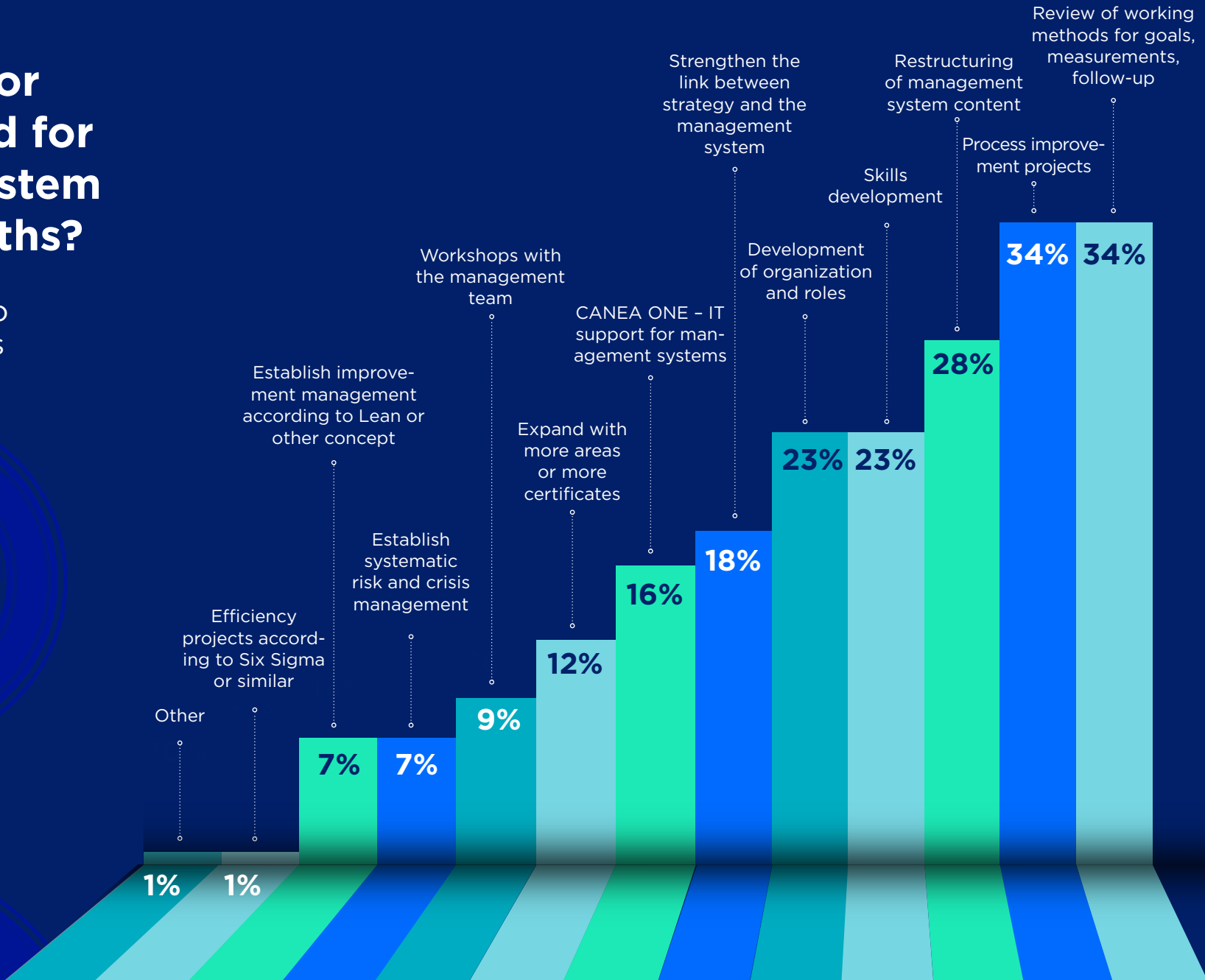
What are the three biggest challenges to achieving the desired outcomes of the management system?

Number of respondents who answered that this area is one of the three biggest challenges.



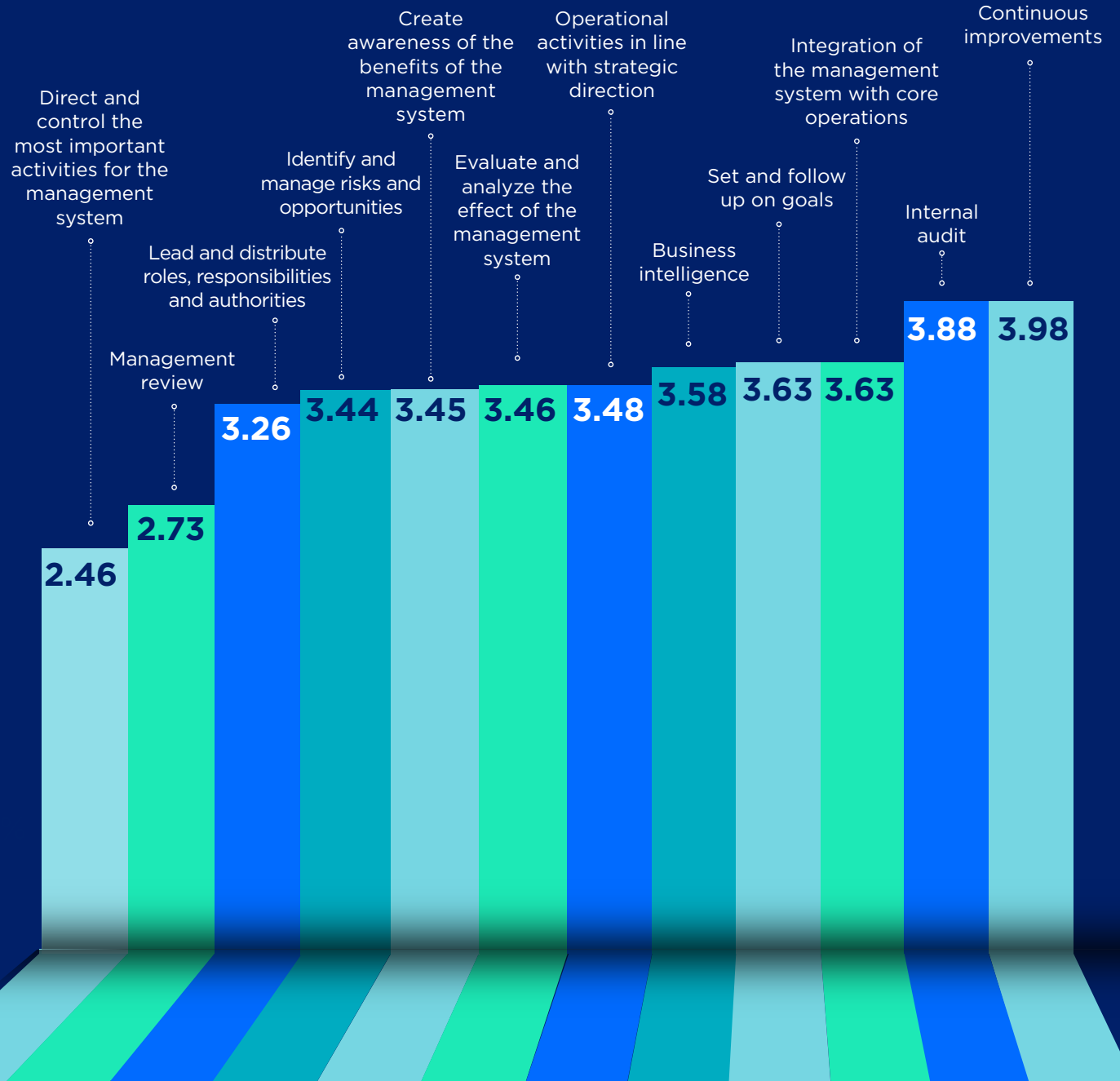
What developments or measures are planned for your management system over the next 12 months?

Percentage of respondents who stated that these developments and measures are planned for the next 12 months.



Rate your organization in the following areas

The diagram shows an average of the respondents' ratings in each category



CANEA has nearly 30 years of experience in management systems. We have previously helped customers with

- Implementation of management systems
- Document structure
- Gap analyses and maturity analyses
- Systematic work environment management
- Quality development
- Sustainability strategy
- Information security
- Process development
- Audits