



Chapter 11. Policies, Objectives & Action Plans

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0) Introduction

There are many clauses in this chapter. The subjects concern setting of policies and objectives, implementation, monitoring and taking improvement actions. It is actually a PDCA cycle in illustration. These subjects are in reality part of Chapter 10. However, Chapter 10 is already overcrowded, adding more subjects to it will make it worse.

1) 5.2, .5.2.1 Establishing the Quality Policy (ISO9001)

(Clause Description-Paraphrase)

Top management shall establish, implement and maintain a quality policy that:

(a) is appropriate to the purpose and context of the organization and supports its strategic direction; (b) provides a framework for setting quality objectives; (c) includes a commitment to satisfy applicable requirements; (d) includes a commitment to continual improvement of the quality management system.

(Highlights of the clause)

- (Ref to old Standards).There has been a similar clause 5.3, Quality Policy, in the older version of ISO9001. Essentially the old requirements had been retained in the new Clause.
- A new requirement (d) "includes a commitment to satisfy applicable requirements" is added.

(Compliance Best Practice)

5.2, .5.2.1 Establishing the Quality Policy

1. *To comply with this clause, ensure your Quality Policy has the new element added "commitment to satisfy applicable requirements" or similar wordings. See **Exhibit 11-1**.*
2. *Before finalizing, you should also ensure the Quality Policy is in harmony with the context and strategic direction, and the objectives set is not in conflict with the Policy. You can do this by consulting the Top Management*

2) 5.2.2 Communicating the Quality Policy (ISO9001)

(Clause Description-Paraphrase)

The quality policy shall: (a) be available and be maintained as documented information; (b) be communicated, understood and applied within the organization; (c) be available to relevant interested parties, as appropriate.

(Highlights of the clause)



- (Ref to old Standards). This requirement has been included in the Clause 5.3 (Quality Policy) in the older version of ISO9001. Now it has become a separate clause, for extra emphasis.
- Basically there is no change in the requirement: a) The Policy shall be documented, and available to the public (now called interested parties), b) it now talks about communicated, understood and applied. "Understood" does not require the employees to memorize the Policy.

(Compliance Best Practice)

5.2.2 Communicating the Quality Policy

1. *On communication of the policy, there are 3 requirements:*
2. *Point (a) is easy to comply by provided a written Policy, and pin it up at strategic locations e.g. main lobby, conference room, entrance to production floor etc*
3. *Point (b) is to include Policy briefing in the induction/orientation materials. For existing employees, a special briefing on the new Policy is needed, evidenced by attendance records.*
4. *Point (c) can be achieved by displaying the Policy on your website. If your do not have a website, keeping a few hardcopies of Policy at the reception or with the QMR will be satisfactory; ready to be distributed to interested parties, on request.*

3) 5.1.1.1 Corporate responsibility (IATF16949)

(Clause Description-Paraphrase)

The organization shall define and implement corporate responsibility policies, including at a minimum an anti-bribery policy, an employee code of conduct, and an ethics escalation policy ("whistle-blowing policy").

Author's note: For exact wordings, please refer to standard indicated after the clause title.

(Highlights of the clause)

- (Ref to old Standards). This is a totally new requirement
- With this requirement, IATF is beginning to touch on corporate social responsibilities, which can a wide subject.
- The Clause states a minimum requirement for the time being is an anti-bribery policy, employee code of conduct and an ethics escalation policy (whistle-blowing policy). This elaboration helps to narrow down the scope.

(Compliance Best Practice)

5.1.1.1 Corporate responsibility

Compliance to Corporate Responsibilities can be achieved as follows:

1. *You can begin with an Anti-bribery policy, and the method of reporting wrongdoings. An assurance from Top Management that the whistle-blowers will not be victimized. This assurance can be printed on the Anti-bribery Policy itself. See **Exhibit 11-2**.*
2. *For communication, a display of the Anti-bribery Policy is sufficient, although a briefing session is better. Better still if a flow chart can be provided so readers will know how to report a case.*

4) 6.2, 6.2.1 The organization shall establish quality objective (ISO9001)

(Clause Description-Paraphrase)

The organization shall establish quality objectives at relevant functions, levels and processes needed for the quality management system. The quality objectives shall be maintained as documented information. They should be: a) be consistent with the quality policy; b) be measurable; c) take into account applicable requirements; d) be relevant to conformity of products and services and to enhancement of customer satisfaction; e) be monitored; f) be communicated; g) be updated as appropriate.



(Highlights of the clause)

- (Ref to old Standards). There has been a similar clause (5.4.1) of the same title in the old version of ISO9001:2008. The requirement then was simpler: Top management shall ensure that quality objectives, including those needed to meet requirements for product are established at relevant functions and levels within the organization. The quality objectives shall be measurable and consistent with the quality policy. These are retained in gist in the new Clause.
- Previously, objectives are derived solely from Policy but this thinking has changed, to be like ISO14001 and ISO45001, where open issues may become objectives. But if open issues on risks and opportunities, and interested parties, are dealt with under 6.1, it is acceptable to be left out of the objective setting. For IATF 16949, Objectives shall be set for all the processes.
- There is no need for a documented process. However the Objective lists are required to be retained as documented information.
- For ISO9001, Objectives generally relates to conformity of products and services, and enhancement of customer satisfaction
- Objectives are to be monitored; be communicated, be updated as appropriate

(Compliance Best Practice)

6.2, 6.2.1 The organization shall establish quality objective

See 6.2.2.1 for a combined discussion.

5) 6.2.2 (second part of 6.2 dealing with actions required) (ISO9001)

(Clause Description-Paraphrase)

When planning how to achieve its quality objectives, the organization shall determine: (a) what will be done; (b) what resources will be required; c) who will be responsible; (d) when it will be completed; (e) how the results will be evaluated.

(Highlights of the clause)

- (Ref to old Standards). This is a totally new clause.
- This sub-clause of Clause 6.2 requires the organization to determine what actions to be taken, resources required, persons responsible, due dates and how to evaluate the results.
- In this new version, the organization is expected to be proactive and think through the action plans and controls ahead.
- This is not really applicable for IAT, which follows another method to ensure effectiveness

(Compliance Best Practice)

6.2.2 (Second part of 6.2 dealing with actions required)

See 6.2.2.1 for a combined discussion.

6) 6.2.2.1 Quality Objectives and planning to achieve them-Supplement (IATF16949)

(Clause Description-Paraphrase)

Top management shall ensure that quality objectives to meet customer requirements are defined, established, and maintained for relevant functions, processes, and levels throughout the organization. The results of the organization's review regarding interested parties and their relevant requirements shall be considered when the organization establishes its annual (at a minimum) quality objectives and related performance targets (internal and external).

(Highlights of the clause)



- (Ref to old Standards). This clause is much of a repeat of the old 6.2.2. The extra emphasis is: during setting of quality objectives, the requirements of interested parties shall be considered.

(Compliance Best Practice)

6.2.2.1 Quality Objectives and planning to achieve them-Supplement

Objectives setting:

1. For IATF's certified organizations, each process shall have an objective or KPI. See **Exhibit 11-3**. See **SN-11.2** for explanations.
2. As for open items from Interested Parties Analysis, there is generally no need to include them as objectives. This is because they are already managed under Clause 4.2.
3. If you have a separate audit for ISO9001, you should have a set of simpler objectives for it, for practical reasons. **Exhibit 11-4** and **SN-11.3** for explanations.

7) 9.1.3 Analysis and evaluation

(Clause Description-Paraphrase)

The organization shall analyse and evaluate appropriate data and information arising from monitoring and measurement. The results of analysis shall be used to evaluate:

- a) conformity of products and services;
- b) the degree of customer satisfaction;
- c) the performance and effectiveness of the quality management system;
- d) if planning has been implemented effectively;
- e) the effectiveness of actions taken to address risks and opportunities;
- f) the performance of external providers;
- g) the need for improvements to the quality management system.

NOTE Methods to analyse data can include statistical techniques.

(Highlights of the clause)

- (Ref to old Standards) There used to be a similar clause, 8.4. Analysis of Data, in the previous ISO/TS16949. The previous requirement is retained, in different wordings, for better clarification.
- Added to analysis also in the areas of implementation effectiveness, effectiveness of actions to addressing risks and opportunities, need for improvement. See a) to g)
- NOTE mentioned about possibility of using statistical techniques. This is the subtle way IATF encourages the use of SPC.

(Compliance best practice)

9.1.3 Analysis and evaluation

1. This is a concept clause, actual implementation will be carried out by relevant departments. You are only required to understand the intent and ensure compliance. There is generally no need to produce any additional documentation here.
2. However, you should double-check items if a)-g) of Clause Description are indeed monitored

8) 9.1.3.1 Prioritization (IATF16949)

(Clause Description-Paraphrase)



Trends in quality and operational performance shall be compared with progress toward objectives and lead to action to support prioritization of actions for improving customer satisfaction.

(Highlights of the clause)

- There were some discussion on this area in the old Clause of 5.6.1.1 QMS performance.
- Quality objectives specified in the Business Planning, including Customer satisfaction, shall be achieved.
- Otherwise actions must be taken, and efforts taken shall be by prioritization.

(Compliance Best Practice)

9.1.3.1 Prioritization

1. *The KPI performances must be analysed every month and actions taken when targets are not achieved. Sometimes you may be allowed to observed a little longer, say up to 3 months, to take actions.*
2. *The analysis, comments, corrective actions, results should be noted in the monthly analysis.*

9) 5.1.1.2 Process Effectiveness & Efficiency (IATF16949)

(Clause Description-Paraphrase)

Top management shall review the product realization processes effectiveness and efficiency of the quality management system and support processes to evaluate and improve their effectiveness and efficiency the organization's quality management system. The results of the process review activities shall be included as input to the management review.

(Highlights of the clause)

- (Ref to old Standards).There had been similar clause, 5.1.1 Process Efficiency, in the previous version of ISO/TS16949. It was meant to be a production related KPI. It read: It was a very simple requirement of 1 sentence: Top management shall review the product realization processes and the support processes to assure their effectiveness and efficiency.
- The new version included both effectiveness and efficiency for control.
- Then S1-12 brought in changes, that effectively turned the clause into non-production, but for general QMS. And that is the reason the clause found a place in this Chapter

(Compliance best practice)

5.1.1.2 Process Effectiveness & Efficiency

1. *Set minimum 1 KPI for each of the processes. Critical processes e.g. production, QAQC, customer satisfaction should have more KPIs. Include efficiency type of KPI if appropriate. (Note that efficiency KPI is no longer mandatory by virtue of SI-12)*
2. *The full list of KPI and achievement shall be reported. This can be a list by itself or as part of the process report. Exhibit 11-5, or Exhibit 10-4*

10) SIs & FAQs

No SIs & FAQs for this Chapter



11) Supplementary Notes

Legend: HOC= Highlights of Clause, CBP= Compliance Best Practice, S&Q= SIs & FAQ, EXH= Exhibits

Clause	Section	Clarification Subjects
5.2	CBP	SN11.1. How to demonstrate the people understood the Policy?
Exhibit	EXH 11-1	SN11.2. The Policy specimen looks so simple. Is it acceptable?
5.2	CBP	SN11.3 Are we allowed to have another set of Objectives for ISO9001, different from IATF?
5.3.1	CBP	SN11.4. It appears KPI for some processes are quite redundant e.g. Management Review, internal audit, or documentation. Can we skip?
5.3.1	CBP	SN11.5. How do we ensure effectiveness of KPI in IATF?
5.1.1.1	CBP	SN11.6. Do the IATF auditors really check on corporate responsibilities?

SN11.1. How to demonstrate that the people understood the Policy?

Auditor may sample an employee to explain a point in quality policy. I see this more likely to happen in ISO than IATF. So long the employee can explain close to the meaning, it should be OK.

SN11.2. The Policy specimen looks so simple. Is it acceptable?

The Policy is straight to the point, a no-nonsense type. It can be used and have been commonly used. Complicated policies can also be used, but sometimes turn out to be counter-productive. A simpler policy is easy to commit to memory. But it is your choice.

SN11.3 Are we allowed to have another set of Objectives for ISO9001, different from IATF?

Yes, there is nothing in the standard that says ISO9001 must follow IATF's KPI. Besides, it is also impractical to do so. IATF's KPI are too many and too tight for ISO9001 organizations. Example, in automotive, customer expectations on on-time delivery is almost 100%. But in non-automotive, customer expectations could be much lower, e.g. 80%.

SN11.4. It appears KPI for some processes are quite redundant e.g. Management Review, or documentation. Can we skip?

Not so. If it is a process, we need to control and improve it. Peter Drucker, a top management expert once said, " If you can't measure it, you can't improve it". For practical reasons, we pick the most important or problematic controls in a process as its KPIs. For Management Review, setting a KPI of conducting the management review '3 weeks ahead of external audit' is a useful one. This is because you are required to submit pre-audit data including the minutes to your CB at least 2 weeks in advance, or you will be slapped with an extra 0.5 day for audit. For documentation, setting a objective of no obsolete document in use, is again useful and practical.

SN11.5. How do we ensure effectiveness of KPI in IATF?

In IATF, the KPI is tracked and reported every month to Management. If a KPI is not met, investigation shall follow, root cause identified, and actions taken. In some exceptional cases, actions may be delayed for 2-3 months, pending on further observations. KPIs are always being monitored and corrective actions ready to kick in. Effectiveness is therefore ensured.

SN11.6. Do the IATF auditors really check on corporate responsibilities?

IATF auditors probably will make sure the Corporate Policy is set and communicated. They probably would not going into the details.

Exhibit 11-1. Updated Quality Policy

XYZ Company

Quality Policy

We are an aluminium casting organization that supports Electrical and Electronics, medical device and automotive industries.

We are committed to:

- a) maintain high quality products and services to our customers
- b) **commitment to satisfy applicable requirement**
- c) regularly review the suitability of the QMS, the Quality policy and Quality objectives
- d) apply the principle of continual improvement

Chief Operating Officer
1 July 2018

Remarks given here explain on the exhibit. Do not include them as part of the document

The key change is the inclusion of applicable requirement, given in red above

Exhibit 11-2. Whistle Blowing Policy

Antibribery & Whistle Blowing Policy

Commitment

1. Employees are expected to conduct themselves with a high standard of professionalism and ethics in the conduct of our business and professional activities
2. All forms of bribery, giving or receiving, are not allowed, except for approved legitimate, above-board business entertainment.
3. Illegal, unethical and questionable, irregular practices and wrongdoings, shall be investigated when reported
4. Identity of persons (whistle-blowers) reporting will remain confidential and protected against any risk of reprisal

Forms of Wrongdoings to be reported:

1. Unlawful action, whether breach in criminal or civil laws
2. Breach of company policy or procedures
3. Fraud, corruption, misappropriation or dishonesty
4. Actions that may cause physical danger/harm to another person, and/or give rise to damage of properties/assets
5. Forgery or alteration of any documents belong to the company, customers, another company or agents of the company
6. Profiteering as a result of insider knowledge
7. Misuse of position or information, and
8. Any other similar or related irregularities

Whistle Blower responsibilities

1. Anyone has the right to whistle blow.
2. The policy is applicable to all employees, suppliers, vendors, associated stakeholders and customers.
3. No absolute proof of wrong doing needed, but you should be reasonably believe the allegation is true, and in good faith that it is not for personal gain or motivated by ill-intention
4. It will also be useful to disclose basis or reasons of your concern

How to report a case

1. Whistle-blowing can be email directly to the Managing Director: XXXX

Outcome of investigation

1. Whistle-blower will be updated on the status of investigation.

Remarks given here explain on the exhibit. Do not include them as part of the document

- For the time being, corporate ethics, whistle blowing, escalation policy are sufficient to satisfy the clause
- In time to come, we should be expecting more and more corporate responsibilities to be included in the IATF Standard

Exhibit 11-3 KPI List
KPI- IATF 2019

Doc No	Rev No/Date	Effective Period	Compiled by	Approved by
IATF-KPI-2019	Rev 00, 1 Jan 19	Jan-Dec 2019	QMR	Managing Director

Process	KPI & Description
MP1: Management Processes	1. Management review on time (Nov)
	2. Business Plan ready by Jan
MP2; Internal Audits	1. Internal NC to reply within 3 days
	2. Zero Repeat NC
MP3. Continual Improvement	1 project a month average
COP1: RFQ Handling	1. To respond within customer specified period, or <5 working days
COP2: Process Design	1. Approved on first submission, and on time
COP3: Order Process	1. To act on the PO within 2 days
	2. Production Plan to be ready within 2 days
COP4: Production	1. Internal rejects <1000 ppm (automotive)
	2. Plant efficiency >80%
COP5: QAQC	1. LAR 100%
	2. Ontime calibration 100%
	3. First piece inspection within 2 hours upon receiving of samples
COP6: Storage & Delivery	1. 100% ontime delivery to customers
	2. No expired materials unidentified
	3. Inventory consistency <5%
COP7. Customer Feedback	1. Customer satisfaction survey >95% (automotive)
	2. Customer complaint <12 cases per year (automotive)
SP1. Purchasing	1. supplier ontime delivery min 90% (automotive)
	2. supplier quality issue zero case (automotive)
	3. 100% ontime supplier audit (automotive)
SP2. HR	1. Min 90% completion of Annual Training Plan
	2. Turnover rate <5%
SP3. Documentation	1. No obsolete document in use. Zero case
SP4. Machine Maintenance	1. Achieve MTRF >400 hours average
	2. Outsource services <RM20000
SP5. Tooling Management	1. Ontime service as per schedule 100%
SP6. Finance	1. No invoicing error. Zero case
SP7. ICT	1. MTTF <4 hours

Remarks given in this section explain on the exhibit. Do not include them as part of the document

- For IATF, every process must have a KPI. The above is a typical list
- Make sure these KPIs tally with those in the turtle diagrams

Exhibit 11-4. Quality Objectives (non-auto)
For ISO9001 Controls (non-automotive)

Doc No	Rev No/Date	Effective Period	Compiled by	Approved by
OT-2019	Rev 00, 1 Jan 19	Jan-Dec 2019	QMR	Managing Director

A. Objectives, Action Plan and Compilation PIC

No.	Objectives & Targets	Action Plan	Compilation PIC
1	100% on time delivery to customers	<ul style="list-style-type: none"> Ensure FG is ready at 2 days before delivery Ensure supplier delivery is >90% on time 	Planner
2	Customer satisfaction survey >95% (automotive)	<ul style="list-style-type: none"> Annual survey Compile report and analyse and follow up on weaknesses Take action for cases not meeting the minimum 	Sales/QA
3	LAR 100%	<ul style="list-style-type: none"> Provide 100% WI to guide inspection IPQC at 2 hours to maintain OQC also checks on appearance 	QAQC

B. Resources, PIC, Due dates and Result Evaluation

No	Objective & Target	What resources needed	Who will be responsible	Completion Date	How to evaluate the results)
1	100% on time delivery to customers	Planner to check Shipping to book transfer in time	Planner	Ongoing, review monthly	No of OTD/ total delivery x100
2	Customer satisfaction survey >95% (automotive)	Customer satisfaction survey by March, and improve	Sales	Ongoing, review monthly	Average satisfaction % of all customers
3	LAR 100%	OQC to also double check on appearance	QC	Ongoing, review monthly	Event count.

Remarks given in this section explain on the exhibit. Do not include them as part of the document

- For non-automotive audit, you are not required to follow the KPIs of IATF, which are too stringent for most situations
- But ISO9001 has its own peculiar requirements on objectives. You need to provide action plans and resources information. See Section B, resources...

Exhibit 11-5 Full KPI Performance Report

Process	KPI	Description	Jan	Feb	Mar	Apr	>>>	Nov	Dec	Ave
MP1: Management Processes	1	Management review on time (Nov)								
	2	Business Plan ready by Jan								
MP2; Internal Audits	1	Internal NC to reply within 3 days								
	2	Zero Repeat NC								
MP3. Continual Improvement	1	1 project a month average								
COP1: RFQ Handling	1	To respond within customer specified period, or <5 working days								
COP2: Process Design	1	Approved on first submission, and on time								
COP3: Order Process	1	To act on the PO within 2 days								
	2	Production Plan to be ready within 2 days								
COP4: Production	1	Internal rejects <1000 ppm								
	2	Plant efficiency >80%								
COP5: QAQC	1	LAR 100%								
	2	Overtime calibration 100%								
	3	First piece inspection within 2 hours upon receiving of samples								
COP6: Storage & Delivery	1	100% <u>ontime</u> delivery to customers								
	2	No expired materials unidentified								
	3	Inventory consistency <5%								
COP7. Customer Feedback	1	Customer satisfaction survey >95% (automotive)								

	2	Customer complaint <12 cases per year (automotive)								
SP1. Purchasing	1	Supplier <u>ontime</u> delivery min 90% (automotive)								
	2	Supplier quality issue zero case (automotive)								
	3	100% <u>ontime</u> supplier audit (automotive)								
SP2. HR	1	Min 90% completion of Annual Training Plan								
	2	Turnover rate <5%								
SP3. Documentation	1	No obsolete document in use. Zero case								
SP4. Machine Maintenance	1	Achieve MTRF >400 hours average								
	2	Outsource services <RM20000								
SP5. Tooling Management	1	Ontime service as per schedule 100%								
SP6. Finance	1	No invoicing error. Zero case								
SP7. ICT	1	MTTF <4 hours								

Remarks given in this section explain on the Exhibit. Do not include them as part of the document

- Some columns are trimmed off because of space constraints. In real case, you have to use a A3 paper to carry this report
- For easy recognition, the under-performed KPI should be highlight, e.g. using red fonts.

>> End of Chapter 11 <<