

ISO 9001:2000 IS IT WORTH IT?



IN THIS ISSUE

As we are all aware, 2001 was not a good year for many people or organizations. The events of September 11, of course, overshadowed everything else in importance.

However, there were plenty of things that went wrong before and after that shattering day in September.

Many dot-commers bade the world farewell. Companies that relied on the dot-com boom went from unparalleled success to serious pain, missing their free spending customers who seemed to have re-written the ways to do business.

Of course, if we read newspapers, watch the news on television or turn on the radio, we know all this and much more.

However, there is one piece of news that may not be so well known.

At the end of 2001, the number of U.S. companies registered to ISO 9000:1994 was 36,000.

The number of companies registered to ISO 9001:2000 was 350.

This tells us:

Over the seven years' operational life of ISO 9000:1994, the average number of companies certified each year was 5,142. The certification rate for ISO 9001:2000 in its first year was less than 7% of the average annual rate of ISO 9000:1994 certifications.

Every company that is certified to ISO 9000:1994 has three years to transition to the ISO 9001:2000 Standards, starting December 2000.

Even if every organization that certified to ISO 9001:2000 in 2001 was transitioning (which was certainly not the case), less than 1% of ISO companies took the trouble to transition in the first 33% of the time available.

There are many explanations being offered for this situation:

"People work best under pressure and always leave things to the last minute".

"There is insufficient guidance regarding what needs to be done".

"The economic problems of the recession have distracted companies".

"People hate change".

Undeniably there is truth in each of these explanations.

However, as that great philosopher Groucho Marx once said, "Are you going to believe what you see, or what I am telling you?"

Let us believe what we see for a moment: New certifications to the current ISO 9000 Standards fell by an annualized rate of more than 93% in 2001.

Less than 1% of companies experienced in using ISO 9000 felt that upgrading their quality management systems to ISO 9001:2000 Standards was a worthwhile investment during 2001.

With this record, if ISO 9000 were a publicly traded organization, it would make the worst of the many bad business performances of the last year look positively respectable.

For organizations and people already members of the ISO 9000 community, and for those planning to join, this QRC Newsletter is the first of a series of issues that explores whether ISO 9001:2000 is worth the effort and the expenditure of resources required for its implementation.

We will also examine whether a reasonable return on an ISO 9000 investment is possible, especially in the light of the low priority placed on transition by many companies experienced in ISO 9000:1994 Standards.

ISO 9000:1994



TROPHY OR



TOOL?

The consensus of opinion regarding ISO 9000:1994 is that it was a market driven event.

Generally, reasons given for certification included:

"We have a major customer that wants us to do it".

"We had a site survey from a potential customer. They surveyed us to ISO 9000 and because we are not ISO 9000, we failed miserably".

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“We want to trade in Europe”.
 “Our competitors are ISO 9000 and it could hurt our business if we don’t get certified”.
 “We need it to get a CE Mark”.
 Sound familiar?

The inevitable result of this motivation was that ISO 9000 was for many companies a trophy rather than a tool. In the more extreme cases, companies paid attention to their ISO 9000 program only when a surveillance audit was due.

ISO 9000, for this type of organization, was like buying a major piece of equipment, announcing the purchase in the company literature, and using the equipment only during customer visits.

There is, of course, nothing wrong in acting to meet the requirements of a customer.

The danger in this limited understanding of the potential of ISO 9000 was that motivation, at all levels, was external.

The *customer* required certification; the *company* got certified.

The *Sales Department* identified the need for certification. The *Quality Department* was given the task of achieving and maintaining certification.

In many cases the Quality Department accepted ownership of the program (internal motivation) and worked it well, within the limitations of their authority, and the corporate cooperation they received.

In some cases, ISO 9000 became a “quality” thing almost separate from the rest of the organization.

The companies that took ownership of ISO 9000 (internal motivation) fared far better in obtaining a return on their investment.

Typical results for organizations that worked the ISO program, as identified by a 1998 General Accounting Office (GAO) Survey included:

- An increase in the number of problems solved by employees
- Improved product/service reliability
- Reduced errors
- Reduced customer complaints
- Increased market share

Overall ISO 9000:1994 made a mark. More than 5,000 companies a year found it worthy of investment in both time and money. Most companies regarded losing certification as unacceptable. Then came 2001 and a major change.

ISO 9001:2000:



WHY SO FEW?

When ISO 9000 certifications fall from over 5,000 a year to 350, something radical is happening.

Whatever other explanations there may be, the fundamental cause is that management, all over the country, decided that certifying, or transitioning, to ISO 9001:2000 was not worth the investment of resources, when measured against the other demands of an economy in recession.

Existing ISO 9000:1994 Quality Management Systems might have been judged as being adequate to deal with the potential crisis management challenges of a rapidly deteriorating economy. Or, the new Standard was not seen as a sufficiently effective tool by either organizations that were already certified, or those not yet certified.

Unfortunately, Henry Kissinger’s statement that “*Next week there can’t be any crises because my schedule is full*” no more applies to operating a business in the present economic climate than it did to his real life experiences as Secretary of State. The arrival of ISO 9001:2000 could have been, and can be, a very timely event for many companies.

Where the title of ISO 9000:1994 was a “*Model for Quality Assurance*”, ISO 9000:2000 describes itself as: “*Requirements for Quality Management Systems*”

When the primary ISO 9000 goal was meeting the demands of a customer, following a “*model*” for a system was a convenient solution that could be agreed by the organization and the customer.

When the goal changes to dealing with the potential, or actual, crises caused by a weakening economy, a definition of the *requirements of an effective system* with accompanying guidelines for performance improvement (ISO 9004:2000) is more appropriate.

ISO 9001:2000 is far more than a sales tool. Some of the Key Principles of ISO 9001:2000 illustrate this point:

- Customer focus
- Leadership
- Involvement of people

- Continual improvement
- Factual approach to decision making

ISO 9000:2000



IS IT WORTH IT?

If it is to be used only as a sales tool, it is reasonable to conclude that certifying to ISO 9001:2000 is not worth it, because its real value will be wasted.

Attendees at QRC Workshops, who are being introduced to ISO 9001:2000 for the first time, have variously expressed their understanding of the Standard as:

"A Management system".

"A Business System".

"A chance to grow beyond the limitations of existing ISO 9000:1994 systems".

ISO 9001:2000 requires management involvement, is continually looking for improvement, and relies on clearly defined goals to measure an organization's success.

A system this comprehensive may need a lot too much work to be just a sales tool.

However, when the same system also focuses on customer satisfaction and knowing and meeting customer expectations, it is a far more powerful sales tool than a logo on a letterhead.

Benjamin Franklin said *"Necessity never made a good bargain"*.

If a company's only reason to transition from ISO 9000:1994 to ISO 9001:2000 is to meet the required transition deadline, ISO 9001:2000 will indeed be no bargain.

If the reasons to adopt ISO 9001:2000 are those declared in the Standard, which include:

- Improved customer satisfaction
- Continual improvement
- Reduced process and product failures
- Improving the effectiveness of personnel,

adopting ISO 9001:2000 could become a major bargain.

ISO 9000:2000 NEWSLETTER SERIES



A CRISIS MANAGEMENT TOOL

In response to the present economic climate, this series of Newsletters will evaluate ISO 9001:2000 as a Crisis Management Tool. The Newsletters will be:

402: Avoiding a crisis.

Prevention is the cheapest and simplest way to deal with a crisis. This edition will address the help ISO 9001:2000 can be in this area.

403: Preparing to manage a crisis

Noah built his Ark before it started to rain

404: Recognizing a crisis

How ISO 9001 helps when perception becomes reality

405: Containing a crisis

"Problems do not improve with age" Warren Buffet

406: Resolving a crisis

"It is like wrestling a gorilla. You rest when the gorilla wants to rest" Norman R. Augustine

407: Profiting from the experience

"Luck is the residue of design" Branch Dickey

If you have any input, please let us know. It will help make this series of Newsletters more interesting."

Print out the Newsletter for others at your organization to read.

**Click "Send me the Newsletter" on our web page.
We will send a notice when the next newsletter is posted.**

The writer of this Newsletter is Edward Cook. You may direct comments on this series to him directly at email: Edward Cook <qrccentral@aol.com>

Organizations that wish to use ISO 9001:2000 as a Crisis Management tool may request an **Introduction for Management** with this focus. Any number of people may attend this presentation which is described at <http://www.qrccentral.com> Phone: (408) 371-9995