

# How the Year 2000 Revisions of ISO 9000 Affect Service Organizations

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## *Abstract*

The new requirements of ISO 9000:2000 have an impact on all registered firms since they must be re-audited under the revised standards in order to maintain their standing. This study seeks to determine if the new standards are more or less favorable to service organizations, since traditionally, ISO 9000 has been applied primarily in manufacturing. A review of the revisions, and interviews with ISO certified service organizations, reveal that the year 2000 standards are generally favorable and may encourage more service organizations to seek registration.

## *Introduction*

Since 1987, some 250,000 organizations worldwide have registered to ISO 9000, a set of international quality standards initiated during the establishment of the European Union (Pearch and Kitka, 2000). Until the year 2000, three separate categories of standards, labeled 9001, 9002, and 9003 were available for registration. All were strongly oriented toward product quality assurance and applied primarily to manufacturing. Only a small percentage of service companies were able to adapt the standards to their operations. Thus service firms, for the most part, sought other methods of quality assurance, leaving ISO 9000 to the domain of manufacturing. Even though the three levels were intended to serve different kinds of organizations, “many people instead took them as a hierarchy that was never the aim of the system” (Beard, 1999).

In recent years, however, more and more service organizations persevered and have become ISO 9000 certified. These include hospitals, travel companies, schools, hotels, and others for which manufacturing is not a direct application. Among the various examples are Pulaski County Hospital in Virginia, Paediatric Hospital Bambino Gesu in Italy, Boustead Travel in Kuala Lumpur, DHL World Wide Express in Indonesia, Air Express International in Connecticut, British Airways World Cargo in Great Britain, Avant Hotels in the United Kingdom, Dale Carnegie Training in New York, Smith Company Commercial Real Estate Services in Canada, Hilti Korea in Korea, and United Airlines in the United States. Service companies have discovered that ISO 9000 is a management tool that can “maintain their market focus and improve their competitive position” (Giguere and Smith, 1999).

## *The Service Organizations’ Dilemma*

Service organizations seeking certification often used ISO 9004.2 as the primary guideline, but found that in order to become registered, they had to choose from 9001, 9002, or 9003 for the applicable standards. Most service companies elected to become registered to ISO 9002, which did not include product design and development among the compliance elements. The standards now in effect as part of ISO 9000:2000 do not include 9002 or 9003. Firms are expected to become registered to 9001 only, and this has emerged as a cause of concern for some service companies.

Under the requirements of ISO 9000:2000, registered firms must be re-audited using the revised standards, and they have three years in which to comply. Also, if portions of the new ISO 9001 standards are not applicable, companies can apply for a reduction in scope. All exclusions in scope must be clearly identified and documented in the quality manual. According to the rules, reductions may not “affect the organization’s ability to provide product that meets customer and regulatory requirements.” Proposed reductions are limited and may or may not be approved by auditors. This leaves service companies wondering whether or not they can comply under the new standards.

## *Changes with the New Standards*

According to Pearch and Kitka (2000), ISO 9000:2000 changes the ground rules for companies seeking certification “now and into the future.” The new set of standards constitute a “radical revision” from the past. It used to be that a company could make concrete life preservers and still comply, according to some critics. But the new standards place emphasis on features that did not exist as part of the earlier standard set. For instance, the voice of the customer is now an important part of ISO 9000, with requirements for processes and procedures to measure and analyze customer satisfaction. Continual improvement is an integral feature calling for measurement and improvement of internal processes. Executive managers are expected to play a more central role by assuring a commitment to continual improvement and meeting customer expectations. Also, the new standards outline a wide range of resource management requirements including human resources.

The specific standard set to which companies will register has changed as well. Instead of the 20 elements required by the earlier 9001, ISO 9001:2000 is characterized by four main sections. They are: management responsibility; resource management; product and/or service realization; and measurement, analysis and improvement. Even the name of ISO 9001 has been changed from *Quality Assurance Requirements* to *Quality System Requirements*. Using a process based structure, ISO 9001 applies quality standards “not to products, but to management systems” (Waldrip, 2000). This is more than just a change in terminology. By incorporating continual improvement and customer satisfaction as essential requirements in a fully documented system, what used to be quality management is now a part of overall business management with top executives, sales, customer service, and marketing included. According to Wingo (2000), this is good news for service companies which now receive increased attention under the new standards. The key concept, according to West, Cianfrani, and Tsiakals (2000) is that “the overall management system is most effective when fully integrated.”

## *Implications for Service Companies*

Despite the extra effort needed to adhere to the new standards, several features suggest that ISO 9000:2000 will serve as a more effective vehicle for service organizations. As noted, one of the four major sections of ISO 9001 is product and/or service realization. This section recognizes that service is not only an important segment of the manufacturing enterprise, but that service is an integral part of fulfilling customer requirements in many fields of endeavor. Thus companies that make products, move products, and meet customer needs in a variety of ways stand to benefit from adopting the new standards.

For those service companies that are currently registered to the earlier 9002 standards, the “reduction of scope” rules allow for adopting relevant portions of ISO 9001:2000. The intent of this provision is to reinstate the flexibility of choice and allow service firms and others to transition from the discontinued 9002 to the new 9001. Every element of the predecessor standards can be mapped onto the new ISO 9001, and can, in fact, be simplified under the new standards (Pearch and Kitka, 2000).

Although little mention has been made of ISO 9004, this document is now and has been a guideline for process improvement. The new ISO 9004:2000 goes beyond basic requirements for a quality system and “seeks to instill continual improvement as a standard business practice” (Waldrip, 2000). A blueprint has been established to provide direction and guide companies in the effective management of activities leading to improvement. Such benefits, according to Giguere and Smith (1999), even under the old system, were worth the investment to service companies becoming ISO 9000 registered. The new standards emphasize these benefits and provide an even stronger incentive to attain registration. Russell (2000) states that it is realistic to see the ISO standard as a “useful, even necessary, step on the excellence journey.”

### *Conclusion*

The revised set of ISO 9000 standards now in effect represents a dramatic shift in quality management. Greater emphasis is placed on customer satisfaction and continual improvement. Firms seeking certification or re-certification will have to resolve their quality processes with business management practices, and prepare new manuals to comply with the standards' expectations. Yet there is nothing in ISO 9000:2000 that should discourage service companies. The standards themselves emphasize service to a greater extent than earlier versions, and the principles forming the basis of the standards have been developed from actual practice. Moreover, organizations registered to the earlier standards have three years to make the transition. The last several years have seen a discernible increase in ISO 9000 registrations in the service sector. It is very likely that this trend will continue, for the revisions of the year 2000 are generally favorable to service organization.

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