

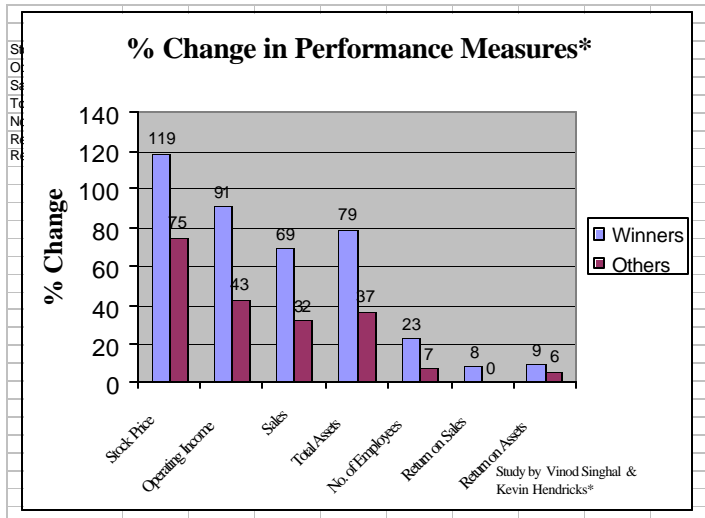
Investing in ISO: 9000 & TQM - Does It Payback?

by Sunil Thawani

ISO: 9000 and TQM have been criticized by Managers and media alike for being ineffective in improving the performance of the organisation. It is not uncommon to read headings like “ TQM is dead “ or “ ISO: 9000 is a Paper Tiger “. This is largely due to opinions and perceptions people have developed about TQM, inflated expectations from ISO/ TQM, ineffective implementation, impatience with results, absence of concrete data on benefits of implementing TQM and ISO: 9000 etc.

Due to above reasons, Quality Managers find it difficult to get support of the top management for TQM and ISO. This article attempts to present data on the financial and non financial performance gains by all types and sizes of organizations who have successfully implemented ISO: 9000 and TQM over a period of time. Results presented are from various independent studies conducted by Professors of reputed Universities, Business news reporters, Certifying agencies etc.

To establish link between financial performance and TQM, Mr. Vinod Singhal¹, Associate Professor, Georgia Institute of Technology, Atlanta, US and Mr. Kevin B. Hendricks, Associate Professor, College of William and Mary School of Business, Virginia, US conducted study of over 600 quality award winning firms and others firms have published their results over a wide variety of performance parameters. Graph below gives one of the results which compares the percentage change in performance of quality award winning firms and other firms over 5 year post TQM implementation period.



BSI Americas² (British Standards Institute) conducted an extensive study on gains made by their ISO: 9000 certified customers before and after implementing ISO: 9000. Customer satisfaction, Quality benefits, Market advantage and meeting regulatory

requirements emerged as the key drivers for ISO 9000 registration. Some of the benefits reported are:

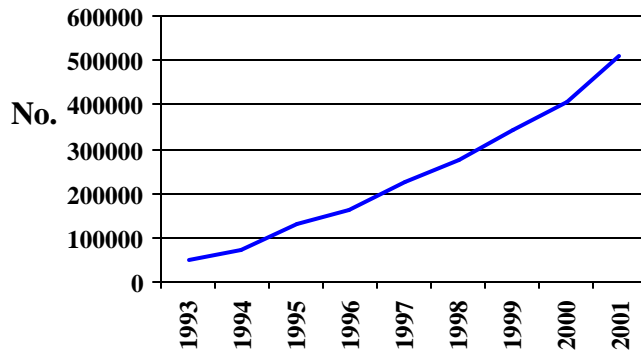
- Average one time savings after implementation of ISO: 9000 were US \$ 62,563 followed by annual/ on-going savings of USD \$124,128;
- Product defects at American Video Glass were down from 74,964 part per million (ppm) to 3,850 ppm;
- Hibbert Group experienced reduction in cost of poor quality by 67%;
- Agilent Technologies had reduced 40 inspector roles;
- British Gas saved USD \$4.46 million from reduction in unnecessary and duplicated work;
- Average response time to clients at Garden State Consumer Credit Counseling was reduced by 16%;
- Sun Chemicals GPI secured USD \$ 6 million in sales through ISO 9000 registration;
- Super Turn increased sales by 40% post ISO 9000 registration;
- Enka Insaat ve Sanayi S.A. improved its ability to train new staff
- Staff at Hardies Chartered Surveyors increasingly adhere to professional standards;
- 64% of respondents saw a reduction in the defect rate;
- 73% of respondents attributed some improvement in customer satisfaction to ISO 9000;
- 67% said ISO 9000 was a catalyst for rethinking the way business was run;
- 72% of respondents said ISO 9000 was an opportunity to innovate;
- 66% of respondents said they had achieved shorter life cycles in new product introductions;

According to Researchers from University of California, Maryland, USA and Universidad Carlos III in Madrid (Spain)³ studies have found a direct correlation of the impact of ISO: 9000 certification with return on assets. Quote - " Not only did the firms that receive ISO: 9000 certification improve their performance, but the firms that failed to seek certification experienced substantial deterioration in return on assets, productivity and sales ". Unquote.

Conclusion:

ISO Survey 11th cycle survey results reported the No. of ISO:9000 certificates issued went up from 46,571 in 1993 to 510616 by December 2001 in 161 countries - spanning almost the entire world.

ISO:9000 – Worldwide Acceptance



10 fold increase in 8 years. Awarded in 161 countries

Source – ISO Survey, 11th cycle, Dec. 2001, ISO Geneva

As compared to ISO:9001:94 revision, the 9001: 2000 standard has greatly emphasized Customer satisfaction and improvement (the word customer & customer satisfaction is now used 56 times instead of 19 times before and improve and improvement is included 21 times instead of only once in 1994 version).

With more and more companies transiting to 9001:2000 standard, payback from ISO: 9000 and TQM is only going to increase.

Hope the above data will assist Quality Managers communicate the benefits of investing in TQM & ISO:9000 to their management and hopefully get the “reluctant” top management involved in ISO: 9000 and TQM process.

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Ref.:

1. The Financial Justification of TQM by Vinod Singhal & Kevin B. Hendricks” – Centre for Quality of Management Journal.
2. Benefits of ISO 9000 from the ISO 9000 Survey of BSI Americas customers – Manufacturing, Services sectors etc. (McGraw-Hill 1999).
3. Manufacturing & Technology News, August 30, 2002 issue.