



Production, Manufacturing and Logistics

The longitudinal effects of the ISO 9000 certification process on business performance

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Abstract

This paper develops and tests several hypotheses relating to ISO 9000 quality system certification process using data collected in a cross-sectional study undertaken in Australia. Multivariate analysis is used to analyze the quantitative data and test the hypotheses. Our findings show that there is a significant and positive relationship between the manager's motives for adopting ISO 9000 certification and business performance. Those organizations that pursue certification willingly and positively across a broad spread of objectives are more likely to report improved organizational performance. The individual element found to contribute most to business performance was customer focus. The principal motivation to pursue ISO 9000 certification was found to come from customer pressure. Auditing style was found to have an insignificant (positive or negative) effect on business performance. The ability of the new ISO 9001-2000 standard to capture and meet the conformance and performance requirements of the organization as part of a continuous improvement strategy will be a prime determinant of the extent to which managers embrace or reject ISO 9000 certification in the 21st century.

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1. Introduction

During the last several years, there has been a major push by manufacturing firms in over 100 countries to seek certification to the International

Quality Standards ISO 9000. These standards require a high level of documentation plus audited evidence that the intended quality is being delivered to the customer. The ISO 9000 standard points out that the quality system of an organization is influenced by the objectives of the particular organization, the product, service and the practices specific to the organization. The quality system, therefore, varies from one organization to another and must suit that organization's operation. Despite the clear definitions and objectives of the ISO 9000 discussed above, there is considerable confusion and frustration surrounding the

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applied role and business value of ISO 9000 certification. The business value of certification has varied from unprecedented successes to an increasing workload and ‘cost of doing business’. An extensive literature review revealed major gaps in research in this area of operations/quality management. Juran (1999, p. 30) summed it up very well in *Quality Progress* by stating that:

...there is a lack of research that can shed light on whether companies that are certified to the ISO 9000 standards actually produce better products than companies that have not been certified...we don't really know what benefit we are getting from all that costly certification to the ISO 9000 series of standards. We should establish the researches needed to find out

This paper, therefore, presents the findings from a cross-sectional study of manufacturing organizations that had been certified to the ISO 9000 standard, and gauge their motives for certification. Furthermore, third party quality auditors were asked to respond to a separate questionnaire which sought the auditor's perceptions of ISO 9000 practice and its effectiveness on business performance. Several hypotheses are developed from an extensive literature review.

2. Literature review

The literature is reviewed in order to establish the leading edge research on the role of the quality auditor and the ISO 9000 certification process. The review was used to articulate questions, hypotheses, and design the questionnaires.

2.1. *The effectiveness of the ISO 9000 standard on business performance*

From the literature, there appears to be a relationship between the manager's motives for adopting certification and the ensuing experience as identified by the Science and Engineering Policy Studies Unit in the UK (SEPSU, 1994). Those

organizations that pursue ISO 9000 certification willingly and positively across a broad spread of objectives are more likely to report improved organizational performance. Customer pressure, however, was the most commonly cited motivating factor for pursuing ISO 9000 certification. These companies were less likely to report improved organizational performance (Brecka, 1994; Allan, 1993; Najmi and Kehoe, 2000).

A large study funded by the Australian Government and conducted by the Australian Manufacturing Council (AMC), AMC (1992) study cautioned firms that ISO 9000 certification is not a substitute for delivering high quality products and services as defined by customer needs. The AMC study gathered quantitative data from a large random sample in a mail survey of manufacturing site managers in Australia and New Zealand. The purpose of study was to investigate the extent of ‘best practice’ adoption by Australian and New Zealand manufacturing firms and its impact on organizational performance. Furthermore, the study claimed that ISO 9000 certification could cause managers to become complacent about quality. There is the risk of ‘locking in’ or systematizing some poor practices through the certification process. Ideally, organizations should set themselves quality standards well above the minimum prescribed by ISO 9000 standards, and constantly seek ways to improve all facets of the operation. The AMC study concludes that certification is likely to lead to both actual and perceived quality improvements, as well as overall improvements in organizational performance.

The other extreme of the mainstream literature is mainly anecdotal. Several large ISO 9000 consulting firms have produced large in-house studies for their clients, but most have released only their results, and not their methodologies. These studies found that the primary business value of ISO 9000 certification was to open doors to markets which were previously closed (Brecka, 1994; Seddon, 1993; Miller, 1993; IQA, 1993).

For example, a study commissioned by Lloyd's Register Quality Assurance (LRQA, 1993) found that most of the benefits associated with ISO 9000 certification were external to an organization's processes. Sixty-nine per cent of the managers

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