UNIVERSITI PUTRA MALAYSIA

CRITICAL SUCCESS FACTORS FOR ISO 9000 CERTIFICATION IN THE MALAYSIAN MANUFACTURING INDUSTRY

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CRITICAL SUCCESS FACTORS FOR ISO 9000 CERTIFICATION IN THE MALAYSIAN MANUFACTURING INDUSTRY

By

ROSMINAH MOHD HUSSIN

Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in Partial Fulfilment of the Requirements for the Degree of Master of Science

April 2003

UPM

DEDICATION

To my husband
And
My parents

For all your support and understanding

With love and gratitude

Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirements for the degree of Master of Science

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Chairman : Assoc. Prof. Dr. Ir. Md. Yusof Ismail

Faculty : Engineering

This study examines the critical success factors (CSFs) for ISO 9000 certification in the Malaysian manufacturing industry. A postal survey is used as research methodology. A newly designed set of questionnaire based on the identified CSFs has been sent to 600 randomly selected manufacturing companies in Malaysia. The results from an 11% responses or 66 companies indicate that management commitment is the most important critical factor, followed by teamwork, employee involvement, communication, understanding of organization's quality system, training, understanding of ISO 9000 standards, institutionalizing the ISO 9000 quality concept and ISO 9000 project planning. Recommendations are made for future use, based on the five most popular CSFs that companies need to undertake in developing a successful strategy for ISO 9000 certification. Suggestions for future work include: investigation on how to maintain the ISO 9000 certification, and on how to convert the existing system of ISO 9000: 1994 to the new ISO 9000:2000.

Abstrak tesis dikemukakan kepada Senat Universiti Putra Malaysia
sebagai memenuhi keperluan untuk ijazah Master Sains

FAKTOR-FAKTOR KEJAYAAN UNTUK PENDAFTARAN ISO 9000 DI KALANGAN INDUSTRI PEMBUATAN DI MALAYSIA

Oleh

ROSMINAH MOHD HUSSIN

April 2003

Pengerusi : **Prof. Madya Dr. Ir. Md. Yusof Ismail**

Fakulti : **Kejuruteraan**

Kajian ini meneliti faktor-faktor kejayaan pendaftaran ISO 9000 di kalangan industri pembuatan di Malaysia. Soal selidik melalui pos digunakan sebagai metodologi penyelidikan. Soal selidik baru berdasarkan faktor yang dikenalpasti di hantar kepada 600 buah firma pengeluaran yang dipilih secara rambang. Hasil maklumbalas pada kadar 11% atau dari 66 firma menunjukkan komitmen pengurusan merupakan faktor yang paling kritikal diikuti dengan kerja berpasukan, komitmen pekerja, komunikasi, kefahaman mengenai sistem kualiti organisasi, latihan, kefahaman mengenai piawaian ISO 9000, membudayakan konsep piawaian ISO 9000 dan perancangan projek. Cadangan faktor kejayaan dibuat sebagai strategi perlaksanaan untuk panduan pengguna bagi memperolehi sijil pendaftaran ISO 9000 pada masa akan datang. Dua cadangan untuk kajian ilmiah akan datang juga dikemukakan iaitu bagaimana menyenggara sistem ISO 9000 serta bagaimana mengubahsuai sistem ISO 9000:1994 sediada kepada ISO 9000:2000 yang baru.

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TABLE OF CONTENTS

		Page
DEDICATION		2
ABSTRACT		3
ABSTRAK		4
ACKNOWLEDGEMENTS		5
APPROVAL SHEETS		6
DECLARATION FORM		8
TABLE OF CONTENTS		9
LIST OF TABLES		13
LIST OF FIGURES		15
LIST OF ABBREVIATIONS		16
CHAPTER		
1	INTRODUCTION	
	1.1 General	17
	1.2 Research Need	18
	1.3 Research Objective	18
	1.4 Layout of the Thesis	19
2	LITERATURE REVIEW	
	2.1 General	20
	2.2 What is ISO 9000	21
	2.3 ISO 9000 Documentation	25
	2.4 ISO 9000 and TQM	26
	2.5 ISO 9000 and QS 9000	28
	2.6 ISO 9000 in Malaysia	30
	2.7 Steps for Certification	33
	2.8 Reasons for ISO Certification	36
	2.9 Benefits of ISO 9000 Certification	39
	2.10 Criticism of ISO 9000	42
	2.11 Cost of ISO 9000 Certification	45
	2.12 ISO 9000:2000	47
	2.13 Critical Success Factors (CSFs)	48
	2.14 Management Commitment	52
	2.15 Employee Commitment	53
	2.16 Understanding of ISO 9000 Standards	54
	2.17 Understanding of Organization's Quality System	54
	2.18 Communication	55
	2.19 Institutionalizing the ISO 9000 Quality System Concept	56
	2.20 Project planning	56
	2.21 Teamwork	57
	2.22 Training	59

3 METHODOLOGY

3.1	Research Design	61
3.2	Design of Questionnaire	63
3.3	Pilot Test	65
3.4	Survey Population	66
3.5	Distribution and Collection of Questionnaire	66
3.6	Data Analysis	67

4 RESULTS AND DISCUSSION

4.1	Response Rate	68
4.2	Company Background	69
4.2.1	Company Name	69
4.2.2	Year Incorporated	69
4.2.3	Number of Employees	70
4.2.4	Category of Company	72
4.2.5	Part of Large Organization	73
4.2.6	Type of Products	74
4.3	Quality System	75
4.3.1	Number of Attempts	75
4.3.2	Duration to Achieve Certification	77
4.3.3	Years Certified	78
4.3.4	ISO 9000 Model	79
4.3.5	Benefits Experienced	81
4.4	Management Commitment	81
4.4.1	Management Involvement	81
4.4.2	Chairman for Steering Committee	83
4.4.3	Frequency of Meeting	85
4.4.4	Cross-Departmental Teams	87
4.4.5	Top Management Activities	89
4.4.6	Reasons for Management Commitment	91
4.4.7	Possible CSF	91
4.5	Employee Involvement	92
4.5.1	Who Prepares Document	92
4.5.2	Reasons for Employees Involvement	94
4.5.3	Percentage of Employees Involvement	95
4.5.4	Achieving Employees Involvement	96
4.5.5	Possible CSF	96
4.6	Understanding of ISO 9000 Standards	97
4.6.1	Who Understand ISO 9000	97
4.6.2	Number of NC/nature/where/which elements	98
4.6.3	How to Arrive at Common Understanding	102
4.6.4	Possible CSF	102
4.7	Understanding of Organization's Quality System	104
4.7.1	Prior Documented System	104
4.7.2	Who Understand the System	105
4.7.3	Functions of Quality System	106
4.7.4	Possible CSF	107

4.8	Communication	108
	4.8.1 Types of Information	108
	4.8.2 Methods of Communication	109
	4.8.3 Styles of Communication	110
	4.8.4 Role of Communication	111
	4.8.5 Possible CSF	112
4.9	Institutionalizing the ISO 9000 Quality Concept	113
	4.9.1 Signal Behaviors	113
	4.9.2 Existing Behaviors	113
	4.9.3 Routine Consideration	114
	4.9.4 Possible CSF	115
4.10	Project Planning	116
	4.10.1 Detail Planning	116
	4.10.2 Project Management Software	117
	4.10.3 Review Project Plan	117
	4.10.4 Reasons for Preparing Project Plan	118
	4.10.5 Working and Credible Plans	119
	4.10.6 Activities	121
	4.10.7 Possible CSF	121
4.11	Teamwork	122
	4.11.1 Number of Teams	122
	4.11.2 Issues in Team Shaping	124
	4.11.3 Technical Knowledge and Skills	127
	4.11.4 Human Relation Skills	128
	4.11.5 Reasons for Teamwork	129
	4.11.6 Possible CSF	130
4.12	Training	131
	4.12.1 Number of Trained Personnel	131
	4.12.2 Who Trains Employees	132
	4.12.3 Number of Training	133
	4.12.4 Hours of Training	134
	4.12.5 Training Sites	135
	4.12.6 Reasons for Training	135
	4.12.7 Types of Training	136
	4.12.8 Possible CSF	137
4.13	General Questions	138
	4.13.1 Cost Involved	138
	4.13.2 Additional CSFs	139
	4.13.3 Positive Comments	140
	4.13.4 Negative Comments	142
	4.13.5 Request of Report	143

5. CONCLUSIONS AND RECOMMENDATIONS 144
5.1 Conclusions 144
5.2 Recommendations 146
5.2.1 Secure Management Commitment 146
5.2.2 Encourage Teamwork 147
5.2.3 Secure Employee Commitment 148
5.2.4 Communication 148
5.2.5 Understanding of the Organization's Quality System 149
5.3 Future Work 150

REFERENCES 151

APPENDICES
A Cover Letter 159
B Survey Questionnaire 160
C Reply Cover 169
D RandomizerResults 170
E Questionnaire Results 174

BIODATA OF THE AUTHOR 223

LIST OF TABLES

Table		Page
4.1	Number of employees vs. duration for certification	71
4.2	Management involvement	82
4.3	Percentage level of management involvement	82
4.4	Top management activities	89
4.5	Reasons for management commitment	91
4.6	Management commitment (CSF)	92
4.7	Reasons for employee involvement	94
4.8	Percentage level of employee involvement	95
4.9	Securing employee involvement	96
4.10	Employee involvement (CSF)	97
4.11	Who understand ISO 9000 standards	98
4.12	Occurrence of non-conformance	100
4.13	Elements of non-conformance	101
4.14	Arriving at common understanding of ISO 9000 standards	102
4.15	Understanding of ISO 9000 standards (CSF)	103
4.16	Prior documented system	104
4.17	Implementation Years	105
4.18	Who understand the organization's quality system	105
4.19	Dependents of the quality system	106
4.20	Understanding of organization's quality system (CSF)	107
4.21	Types of information	108
4.22	Methods of communication	109
4.23	Styles of communication	110
4.24	Role of communication	111
4.25	Good communication (CSF)	112

4.26	Signal Behavior	113
4.27	Existing behaviors	114
4.28	Routine consideration	114
4.29	Institutionalizing the ISO 9000 quality concept (CSF)	115
4.30	Detail Planning	116
4 31	Reasons for preparing the ISO 9000 project plan	118
4.32	Working and credible plan	120
4.33	A working plan	120
4.34	A credible plan	120
4.35	Activities of a working and credible ISO 9000 certification project plan	121
4.36	Project Plan (CSF)	122
4 37	Issues in team shaping	124
4 38	Technical knowledge and skills	127
4 39	Human relation skills	128
4 40	Reasons for teamwork	129
4 41	Teamwork (CSF)	130
4.42	Training sites	135
4 43	Reasons for training	136
4.44	Types of training	137
4.45	Training (CSF)	137
4.46	Cost involved	138
5 1	Summary of possible critical success factors for ISO 9000 certification	144

LIST OF FIGURES

Figure		Page
2.1	SIRIM quality system certification process	31
3.1	Research flowchart	62
4.1	Years of incorporation as at 2002	70
4.2	Number of employees	71
4.3	Category of company	72
4.4	Part of larger organization	74
4.5	Type of products	75
4.6	Number of attempts before successful certification	76
4.7	Duration from planning until successful completion	77
4.8	Years certified	78
4.9	Quality system standard	79
4.10	Chairperson for the steering committee meeting	84
4.11	Number of members in the steering committee	85
4.12	Frequency of steering committee meeting	86
4.13	Number of times steering committee meet	87
4.14	Number of cross-functional teams	88
4.15	Number of members in each cross-functional team	89
4.16	Preparation of ISO 9000 documents	93
4.17	Numbers of major non-conformances	99
4.18	Numbers of minor non-conformances	100
4.19	Number of reviews on project plan	117
4.20	Number of teams for the certification project	123
4.21	Number of trained personnel	131
4.22	Training of employees	132
4.23	Number of times an employee attends training	133
4.24	Training hours per employee	134

LIST OF ABBREVIATIONS

CSF	-	Critical Success Factors
FMEA	-	Failure Mode and Effect Analysis
ISO	-	International Organization for Standardization
MD	-	Managing Director
QMR	-	Quality Management Representative
SIRIM	-	Standards and Industrial Research Institute of Malaysia
SMI	-	Small and Medium Industries
SME	-	Small and Medium Enterprises
SPC	-	Statistical Process Control
SPSS	-	Statistical Product and Service Package
TQM	-	Total Quality Management

Universiti Putra Malaysia

CHAPTER 1

INTRODUCTION

1.1 General

Although the ISO 9000 series of quality standards was first launched in 1987, many local companies especially the small and medium enterprises (SMEs) adopted the "wait and see" attitude. However in recent years, the growing number of local companies that have been issued the ISO 9000 certification from the Standards and Industrial Research Institute of Malaysia (SIRIM) reflects increasing awareness of the need to meet the internationally accepted standards to gain market access.

Despite some negative criticism given to ISO 9000 in other countries especially by those who were disappointed with the results of ISO 9000 registration (Van Houtert, 1995; Miros and Dale, 1996; Van der Wiele and Brown, 1997), Malaysian manufacturers are actively pursuing the ISO 9000 certification. In a briefing session at the SIRIM office in Shah Alam, Selangor, it is noted that as at 28th September 2001, a total of 2,139 companies have been issued the MS ISO 9000 by SIRIM. The increasing numbers in the quality management certification is an indication that Malaysia companies are ready to face globalization and the rapid changes that comes with it.

1.2 Research Need

While many companies are recognizing the benefits of and the need for certification of ISO 9000, there is very little research done on the critical success factors for its certification in Malaysia. This thesis will identify some of the critical success factors for ISO 9000 certification in the Malaysian context. Findings from the research will add to the knowledge and understanding of the subject, especially with regard to its application in Malaysia.

The results from this study will be valuable to the information seekers on the ISO 9000 issues as follows:

- Consultants and researchers could use the data for reference in their future investigations;
- Academicians and students could use the data as a new source of local reference in local situation;
- Quality managers or management staff could use the information to help them focus on components that need to be looked into at the start in their journey in seeking the ISO 9000 certification that may result in cost and time saving; and
- Employees could use the information that will enable them to appreciate the problems that are being faced by the management in their respective organizations in pursuing the ISO 9000 certification.

1.3 Research Objective

The objective of the research is to identify success factors that are critical for ISO 9000 certification in a group of Malaysian manufacturers. It is hope that the study will reveal the current critical success factors for ISO 9000 certification in Malaysia and can be used as future reference.

1.4 Layout of the Thesis

The thesis is structured in five chapters as listed below:

- Chapter One gives the introduction and set the foundation for the research undertaking;
- Chapter Two reviews the related literature on the ISO 9000 and the possible critical success factors that have been identified by previous researchers;
- Chapter Three describes the research methodology and design of the questionnaires;
- Chapter Four focuses on the results and discussion of the findings and
- Chapter Five gives the conclusions of the findings and makes some recommendations for future application for successful ISO 9000 certification, as well suggestions for future work that can be carried out.

CHAPTER 2

LITERATURE REVIEW

2.1 General

Towards the end of last century ISO 9000 series of quality system became one of the popular topics in quality improvement initiatives. Many questions with regard to their meaning, benefits, implementation process and critical success factors for their certification were raised. Huge amount of ISO 9000 certificates were issued to various companies. Although many literature reviews indicate that ISO 9000 certificate is no guarantee for a successful quality assurance (QA) system, many companies are still starting up quality initiatives with one objective in mind, i.e. 'to achieve ISO 9000 certification'.

The interest in pursuing ISO 9000 certification in some countries is growing exponentially. However, not all companies that embarked on the selected project were successful in their pursuits. Some have abandoned them along the way. The terms 'certification' or 'registration' can be used interchangeably (Label and Priester, 1996). Both require that companies set up the internal quality systems that are subjected to audit by third party prior to certification. To retain the certified status, independent assessment of compliance with the ISO 9000 standards must be performed on a regular basis.

The literature review will discuss the following areas: what is ISO 9000, ISO 9000 documentation, ISO 9000 and TQM, ISO 9000 and QS 9000, ISO 9000 in Malaysia, steps for certification, reasons for ISO 9000 certification, benefits of ISO 9000 certification, criticism of ISO 9000, cost of ISO 9000 certification, ISO 9000:2000, critical success factors, management commitment, employee commitment, understanding of ISO 9000 standards, understanding of organization's quality system, communication, institutionalizing the ISO 9000 quality system concept, project planning, teamwork and training

2.2 What is ISO 9000

ISO, pronounced "ice-oh" is not an acronym (Kantner, 1994; Miller *et al.*, 1998). It is derived from a Greek word 'isos' meaning equal (Chappell, 1998), or 'homogeneous', as in isosceles triangles or isometrics. Another way to pronounce ISO 9000 is 'eye-so nine thousand' (Gardner, 1998). The ISO 9000 is a family of quality standards and guidelines for assuring of almost anything. Although the early emphasis on ISO 9000 was among manufacturing companies, these quality standard are spreading throughout other sectors such as in insurance company (Stephens, 1996), hydrocarbon processing industry (Straitsz, 1996), records management (Brumm, 1996), pharmacy (Hall, 1997), software development (Walker, 1997), accounting firms (Miller *et al.*, 1998), government (Lowery, 1998), library (Osman *et al.*, 1998) education (Peters, 1999; Kanji *et al.*, 1999; Kanji and Tambi, 1999; Houston, 1999; Waks and Frank, 1999; Mohd. Ali, 1999; Moreland and Clark, 1998; Lundquist, 1997), construction industry

(Pheng *et al.*, 1999), engineering consultancies (Tang and Kam, 1999), and in hospital (Staines, 2000). Even lawyers, doctors, schools (Elmuti, 1996), engineers and designers (Schoonmaker, 1997) are seeking certification

The standards were first developed in 1987 by the International Organization for Standardization (Abraham, *et al*, 2000). It is a non-profit organization comprised of members from over 91 different countries. This organization was first established in 1946, based in Geneva, Switzerland. The standards are based on British Standards BS 5750-1970. The certification awarded is recognized around the world.

Miller *et al*. (1998) explained that one of the driving forces behind the creation of ISO 9000 was that many companies, usually the suppliers, were facing multiple second party audits (customers) to see if their products are meeting certain quality standards. Some suppliers face 30-40 times quality audit in one year. To reduce the number of audits, a third -party auditor was employed to attest to the quality of the products and the certificates obtain by these companies will then be accepted by the customers. ISO 9000 is regarded as a quality standard because it requires management to document and support its quality management system.

The ISO 9000 standards have different registration programs for different business structures. The three main standards are ISO 9001, ISO 9002 and ISO 9003. Elmuti (1996) outlined the basic descriptions of ISO 9000 standards as follows:

ISO 9001 confirms the conformance of processes from the primary stage of product development (design), through production, installation, testing and servicing. It is the most comprehensive of all the ISO 9000 standards.

ISO 9002 deals with the procurement, production, installation, and servicing areas of an organization. It usually applies to the process industries.

ISO 9003 addresses only the detection and control of problems during final inspection. It applies to companies whose products and services that can be adequately assessed by testing and inspecting.

The principles underlying ISO 9000 quality standards are:

Say what you do	- document each step in the company's business process
Do what you say	- ensure that all processes adhere to written procedure
Show what you have done	- document evidence that the quality system meets ISO 9000 requirements and is being implemented effectively.
Verify	- conduct periodic internal audits to ensure continued compliance and effectiveness of the quality system.

The ISO 9000 standard focuses on 20 aspects of a quality program that are subject to rigorous audit during the certification process. Each section relates to a specific aspect of satisfying customers. Rabbit and Bergh (1994) suggested that when trying to

determine how each section applies to an organization, one should ask how it relates to customers expectations. The elements that are contained in section 4 of the ISO 9000 are listed below (Rabbit and Bergh, 1994; Wilson, 1996, Lamprecht, 1996):

4.1 Management responsibility

4.2 Quality system

4.3 Contract review

4.4 Design control

4.5 Document and data control

4.6 Purchasing

4.7 Control of customer supplied product

4.8 Product identification and product traceability

4.9 Process control

4.10 Inspection and testing

4.11 Control of inspection, measuring and test equipment

4.12 Inspection and test status

4.13 Control of non-conforming product

4.14 Corrective action and preventive action

4.15 Handling, storage, packaging, preservation, and delivery

4.16 Control of quality records

4.17 Internal quality audits

4.18 Training

4.19 Servicing

4.20 Statistical techniques.