ISO/DIS 9004 - QUALITY OF AN ORGANIZATION – GUIDANCE TO ACHIEVE SUSTAINED SUCCESS

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Abstract: The success factors of organizations are developing continuously and every few year’s new success factors are added to the complex demanding and ever-changing competitive environment in which organizations operate. There is no doubt that the primary focus of an organization should be to achieve higher satisfaction of its customers by implementing rigorous processes to continuously improve its products and services quality - but in the current competitive environment this is not enough to achieve sustained success and all interested parties needs and expectations have to be met. Organizations have to implement an effective and efficient management system that is led by top management and is focused on the organization ability to meet the needs and expectations of its customers and other relevant interested parties, over the long term as the way to achieve sustained success of the organization. Doing so organizations are moving from product quality which is the scope of ISO 9001 to quality of an organization which is the scope of the new ISO 9004 which has reached these days the level of draft of international standard (DIS) and is planned to be published in 2018 and will provide a guidance to organizations on how to achieve sustained success.

Key Words: ISO 9004, Quality of an organization, Interested parties, Sustained success

1. INTRODUCTION

Many organizations worldwide are trying to figure out in what should they invest their management and organizational resources to achieve sustained success. For decades top managers were exposed to different approaches, techniques and excellence models each of them promising sustained success of the organization but most organizations learned in the hard way that in the current competitive environment to apply only one approach may be easier but it would not result in the sustained success they aim to achieve. To achieve sustained success an organization has to address all competitive factors which are not only multiple but they are continuously changing with new ones added almost every decade as illustrated in Fig.1

Figure 1-Dynamic development of competitive factors

While ISO 9001:2015 focuses on providing confidence in the organization’s products and services, ISO/DIS 9004 focuses on providing confidence in the organization’s ability to achieve sustained success.

The first step managers have to take in their way to embrace the guidance provided in the future 9004 is to realize that in each organization there are 3 levels of Quality which differ in their scope and realization methods. The fist level is Production Quality which has the scope of no variance in the organization outputs, second is Product Quality which has the scope of meeting needs and expectations of customers (as defined in ISO 9000: 2015 clauses 3.6.2 + 3.6.4), and the third level is Quality of an Organization which has the scope of meeting needs and expectations of all
interested parties (the customers being one of them) in a balanced way.

2. TERMS AND DEFINITIONS

There are three fundamental terms in ISO/DIS 9004 which have to be fully understood in order to enable the user to follow the guidance given in this future standard:

![Diagram of interested parties and their needs and expectations](image)

**Figure 2 – Examples of interested parties and their needs and expectations (ISO/DIS 9004)**

Although most organizations use similar descriptions for their relevant interested parties the composition of those categories can differ significantly over time and between organizations, industries, nations and cultures. Organizations should be aware that needs and expectations of their interested parties may be in conflict with each other and therefore they should focus on balancing the conflicting objectives in their activities to meet these needs and expectations.

### 2.2 Quality of an organization

The definition given in ISO/DIS 9004 is as follows: “quality of an organization” is the degree to which the inherent characteristics of the organization fulfill the needs and expectations of its interested parties, in order to provide confidence in the organization’s ability to achieve sustained success.

**Note 1:** The term “quality of an organization” is derived from the definition of “quality” given in ISO 9000, 3.6.2 (“the degree to which a set of inherent characteristics of an object fulfills requirements”), and from the definition of “requirement” given in ISO 9000, 3.6.4, (‘needs or expectations that are stated, generally implied or obligatory’). It is also distinct from the purpose of ISO 9001, which focuses on the quality of products and services in order to give confidence in the ability of an organization to provide conforming products and services and to enhance its customers’ satisfaction.

Another way to understand the meaning of ‘Quality of an organization’ would be to follow simple logic: as follows:

- **If:** Product Quality = to meet the needs and expectations of the customer,
- **And:** The customers of an organization = all interested parties (as presented above)
- **Then:** Quality of an organization = meeting the needs and expectations of all interested parties.

The quality of an organization isn’t perceived, any more, by its customers solely through the way they perceive its products and/or services but through the way the organization meets the needs and expectations of all its interested parties.

### 2.1 Interested Parties

Interested parties (also named as ‘stakeholders’) are defined in ISO 9000 as: “person or organization that can affect, be affected by, or perceive itself to be affected by a decision or activity” Fig 2 below provides a representative view of interested parties and their needs and expectations.

### 2.3 Sustained success

Sustained success of an organization is defined in ISO 9004, 2009 as: the “result of the ability of an organization to achieve and maintain its objectives in the long term.” and in ISO 9000: 2015 clause 3.7.4 as: “success over a period of time” (success is defined as “achievement of an objective”)

Many would argue that the way to achieve sustained success is by ensuring the quality of the product or service provided, enhancing customer satisfaction and overall experience and therefore they focus their organization solely on product quality. But the multiple and changing competitive factors drive the understanding that product quality is no doubt a must but not enough to achieve sustained success.

To illustrate the need to address other factors than product quality let’s look at the three following examples:

- In 2010 ‘The Times’ published an article telling that the no. 1 retailer of UK, ‘Tesco’ is selling paper products made by a company that destroys the rain forest in Indonesia – as a result sales dropped.
- In 2015 HK ‘Sunday Morning Post’ published an article telling that eighteen village councils in northern India are demanding Coca-Cola to clause down their factory because it exploits the groundwater they need for agriculture.
- In 2010 the research company IGD published conducted a survey in UK asking the question: ‘How will shoppers judge food companies’ and these are the answered received:
In the first two cases the product quality was perfect but the organization disregarded the environment and social competitive factor, or in other words needs and expectations of the society as an interested party. The third example illustrates the way people build their perception on a company and its products, proving that such a perception has multidimensional facets which are not related only to the product.

ISO/DIS 9004 standard is based on the understanding that to achieve sustained success an organization has to consider all competitive factors which are represented as the different needs and expectations of the different interested parties which are relevant to the organization.

3. GUIDANCE TO ACHIEVE SUSTAINED SUCCESS

As stated above to achieve sustained success an organization has to meet the needs and expectations of its interested parties in a balanced way. To provide confidence in the organization’s ability to achieve sustained success it should address a number of organizational capabilities and to establish a proper system of interrelated processes to ensure it will meet its objectives in a consistent manner on the long term.

The organizational capabilities to be addressed are the following:
- Leadership and management
- Focus on customers and other interested parties
- Be change oriented
- Be innovative
- Drive consistent quality
- Be efficient – drive continual improvement and reduce complexity
- Drive people engagement and teamwork
- Deploy strategy
- Manage risk
- Drive Execution

It isn’t coincidental that the above list is very similar to the 7 Quality Management Principles (customer focus, leadership, engagement of people, process approach, improvement, evidence based decision making and relationship management, see ISO 9000:2015) as the QMP’s are no doubt a solid base for any management system of an organization and therefore in the introduction of ISO/DIS 9004 the QMP’s are mentioned as a reference to the standard. We will not elaborate on the above organizational capabilities as this isn’t the main theme of this paper, and will focus on some of them which are elaborated in ISO/DIS 9004. The management system model needed to achieve sustained success is presented in Fig.3 bellow.

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**Fig 3: Management system model to achieve sustained success.**
The management system model presented above is the basis for ISO/DIS 9004. In the model there are two terms which must be explained as they are critical for understanding the model.

These are: ‘context of the organization’ and ‘organizational identity’.

3.1 Context of the organization

Context of the organization is a new term used in the new ISO 9000 and ISO 9001 published in 2015. It is defined in ISO 9000: 2015 as: “context of the organization = combination of internal and external issues that can have an effect on an organization’s approach to developing and achieving its objectives”.

The term may be new in ISO 9001 but actually it is a rename of terms used by organizations such as “business environment”, “organizational environment” or “ecosystem of an organization”.

In ISO/DIS 9004 is stated that “Understanding the context of the organization is a process that determines factors which influence the organization’s ability to achieve sustained success. “This process determines factors which influence the organization’s purpose, objectives and sustainability and it is the very first step in the process of formulating the strategy of an organization. It considers internal factors such as values, culture, knowledge and performance of the organization.

The key factors to consider when determining the context of the organization, are:

- interested parties;
- internal issues - factors that exist within the organization itself that can affect the organization’s ability to achieve sustained success, such as: size, complexity, activities, strategy, type of products and services, performance, resources, levels of competence and organizational knowledge, maturity and innovation
- external issues - factors that exist outside of the organization that can affect the organization’s ability to achieve sustained success, such as: statutory and regulatory requirements, sector, competition, globalization, social, economic, political and cultural factors and technology

3.2 Organizational identity

Organizations are defined by their identity and context. In ISO/DIS 9004 organizational identity is described as follows: “the identity of an organization is its characteristics based on its mission, vision, values, and culture.” These characteristics are based on the organization’s mission, vision, values and culture. It is important to note that mission, vision, values and culture are interdependent and the relationship between them should be recognized as being dynamic.

Another way to view organizational identity is that it consists of three interrelated elements as follows:

- purpose of an organization - defines ‘why it exists and what it wants to achieve (combines vision and mission)
- brand - defines how the organization is known to the world
- culture - defines how things are done in the organization (culture is combined of beliefs, ethics, history, observed behaviours and attitudes).

4. CONCLUSION

Facing the continuously and rapidly changing organization’s context in which they operate organizations which aim to achieve sustained success have to move to a more holistic view of their quality management system moving from just focusing on product, service quality to organization quality. To do so an organization has to determine its relevant interested parties and their needs and expectations as part of its context.

The new version of ISO 9004 which is planned to be published in 2018 has a scope to provide guidance to organizations how to implement a management system to achieve sustained success. Such a system has to have as an input the context of the organization which includes internal and external issues and the customers and other relevant interested parties’ needs and expectations. As an outcome the organization will achieve confidence in its ability to meet customers and other interested parties needs and expectations and enhance their satisfaction as a way to have sustained success.

The management system should address the areas of organizational identity, leadership (which covers strategy, policy and objectives), process management, resource management, organizational performance analysis and evaluation and improvement, learning and innovation.

All above elements of a management system which will assure sustained success are forming ISO/DIS 9004 structure in the same sequence as mentioned above and are illustrated in Fig 4 below (Figure 1 in the DIS) and create the model for managing sustained success of an organization.
It is also important to mention that ISO/DIS 9004 promotes self-assessment and provides a self-assessment tool for reviewing the extent to which the organization has adopted the concepts presented in the standard (ISO/DIS 9004 Annex A).

References