ISO 9001 Auditing Practices Group

Guidance on:

Service organizations

Content

1. Introduction .......................................................................................................................... 1
2. Service organizations .......................................................................................................... 1
3. Auditing guidance ................................................................................................................ 2
   3.1 Design and development of the service ........................................................................ 2
   3.2 Validation of processes for service provision ................................................................ 2
   3.3 Control of nonconforming outputs .............................................................................. 3

1. INTRODUCTION

Although ISO 9001 is intended to apply to all kinds of organizations, regardless of type, size or product provided, there are a number of characteristics of service organizations that require specific attention during a third-party audit. Consequently, this document aims to provide auditors with guidance on auditing the conformity of service organizations to the requirements of ISO 9001.

2. SERVICE ORGANIZATIONS

According to ISO 9000 a Service is the output of an organization with at least one activity necessarily performed between the organization and the customer.

The provision of a service can involve, for example, the following:

- an activity performed on a customer-supplied tangible product (e.g. a car to be repaired);
- an activity performed on a customer-supplied intangible product (e.g. the income statement needed to prepare a tax return);
- the delivery of an intangible product (e.g. the delivery of information in the context of knowledge transmission);
- the creation of ambience for the customer (e.g. in hotels and restaurants);

Most organizations also have an element of service in their products. This may range from almost 100% service (in the case of a law firm, for example), to a relatively small service component in the
case of a manufacturing organization providing, for example, an after-sales service. The combination of product and service systems have an increasing importance in today’s business environment.

3. AUDITING GUIDANCE
3.1 Design and development of the service

ISO 9001 requires: “the organization shall establish, implement and maintain a design and development process that is appropriate to ensure the subsequent provision of products and services“.

The question of applicability of this requirement may create disagreement between the auditor and the audited organization. “Exclusions” of the requirements of ISO 9001 are no longer possible; however organizations might determine that these requirements are not applicable in the scope of their management system.

For determining their applicability, an organization will have to ensure that the requirements on design and development do not affect its ability or responsibility to ensure the conformity of its services and the enhancement of customer satisfaction.

When an organization makes a claim for non-applicability of this requirement, auditors need to see documented objective evidence that the following two conditions are both fulfilled:

1) the requirement cannot be applied

2) by not applying the requirement there is no effect on the organization’s ability or responsibility to ensure the conformity of its services and the enhancement of customer satisfaction.

Only if these can be proven, should an auditor accept the non-applicability.

It is quite common for organizations to consider primarily their products when addressing the requirements for Design and Development. The design and development of a service often is not carried out in technical “design departments” but under a title such as “Business model development”; however, the relevant requirements still apply. Auditors should identify carefully the organization’s unit in which the design and development of services is carried out.

The auditor should also examine whether the organization has an effective design and development process that sufficiently defines the characteristics of its service, and of its service delivery processes, that are needed to meet customer needs and expectations.

3.2 Validation of processes for service provision

In terms of the processes needed to realize the service, we can identify two types of service processes:

- those involving the customer in the realization of the service itself (real time delivery) and
- those in which the output is delivered to the customer after the realization of the process.

Using the example of a hotel, the guest “check-in” and “check-out” processes would probably involve “real-time” delivery of the service, whilst the cleaning of the guest’s room would generally be “delivered”
to the guest only after completion of the process (which could be subject to inspection and rework if necessary, to correct any nonconformities).

Similar processes can also be found in manufacturing organizations providing services related to their products, for example, the handling of claims and warranties; the repair of products by the organization's service units; or product maintenance activities performed at a client’s facilities.

Those processes that involve real time delivery, and are carried out directly at the organization/customer interface can rarely (if ever) have their output (“the service”) verified by subsequent monitoring or measurement before they are “delivered” to the customer. Instead, such processes need to be subject to validation, in accordance with the requirements of ISO 9001 in clause 8.3. This is also essential in order to prevent nonconformities from occurring.

In order to ensure adequate control over the quality of the service to be provided, the auditor should:

- understand the service characteristics, the service provision processes, and their acceptance criteria, as defined by the organization (this should be done during Stage 1 of an initial certification audit; see the ISO 9001 Auditing Practices Group paper on “The need for a 2-stage approach to auditing”.)
- determine whether validation of "real-time" service provision processes (or any other process that requires validation) has been performed and if this has taken into account the associated risks;
- assess if the appropriate tools, training and empowerment have been provided to the personnel involved.

For many service industries, the service provided is instantaneous (i.e., via "real-time" processes), which does not readily allow for inspection before delivery of that service. Quality thinking says that the most cost-effective way of doing business is to apply the philosophy of “special processes” to ALL processes: the more the organization gets its processes right, the less the organization needs to worry about the outcome of its processes. Therefore, it is very likely that this requirement will be applicable.

3.3 Control of nonconforming outputs

In the cases of service processes directly involving the customer, “the control of nonconforming outputs” is the way the organization deals with nonconformities in the service provision until the appropriate corrective action is defined and implemented.

Where a nonconformity is identified, the auditor should examine:

- whether the personnel involved are sufficiently empowered with the authority to decide the disposition of the service, for example:
  - to immediately terminate the service
  - to replace the service provided
  - to offer an alternative
• the organization's customer claims and complaints processes
• any temporary corrections that are implemented to mitigate the effect of the nonconformity (e.g., refund, credit, upgrade, etc.)
• the identification, segregation and replacement of the relevant service equipment, service providers and environment.

This will enable the auditor to judge whether the control of such nonconforming product is effective.

Note: In such situations the quality management system should have provisions to capture data on the nonconformities and to feedback information, at the appropriate management level, for the effective definition and implementation of corrective actions.

For cases in which the output of the service is delivered after the realization of the process, or during or after the service provision, “control of nonconforming outputs” may be based on usual monitoring and measurement techniques. Evidence will need to be sought of the adequacy and effective implementation of these techniques.

Please access our websites at [ISO 9001 Auditing Practices Group](http://www.iso.org), or at [Accreditation and Assessment Practices - IAF](http://www.iaf.nu), where you can find information about ISO 9001 Auditing Practices Groups, download Introduction, the other ISO 9001 APG and AAPG papers.

Feedback from users is welcomed by APG/AAPG and will be used to determine the need for additional guidance documents, as well as for the revision of the current ones.

In case you wish to provide your feedback, the Group Secretary contact details are also available on these sites.

**DISCLAIMER**

This paper has not been subject to an endorsement process by the International Organization for Standardization (ISO), ISO Technical Committee 176, or the International Accreditation Forum (IAF). The information contained within it is available for educational and communication purposes. The ISO 9001 Auditing Practices Group does not take responsibility for any errors, omissions or other liabilities that may arise from the provision or subsequent use of such information.