

# Quality Management Systems And Impact From Standardization In Albanian Companies

Ira Zoga (Gjika), Nikollaq Pano

**Abstract:** The increase of competition in the local and regional markets is forcing companies to provide high quality products and services, as well as to continuously improve their activities. The quality management systems and standard implementation in Albanian companies are the at the focus of this paper with the intention to evidence the actual situation and the results achieved from the certification process. The implementation of ISO standard requirements, together with the assessment of the benefits deriving from it, is a relatively new experience for Albanian companies and slightly developed in our economic literature. Consequently, this work follows a combined approach of reviewing the relevant rich literature of the last decades with the empirical survey of some Albanian companies that have chosen ISO certification as an instrument to gain competitive advantage in the market. The analysis of factors that drive companies towards such time consuming, costly, and managerially- wise committed process, is one of main study' objectives. It is followed by the assessment of benefits deriving from this process for companies in quantitative and qualitative terms. Comparing the expected advantages from the certification with those actually obtained might assist companies themselves to improve their processes. From the other side, this comparison serves as a basis for suggestions and recommendations to other companies that intend to make good use of advantages the ISO certification.

**Index Terms:** benefits, competition, impact from certification, implementation of standards, ISO 9000 set of standards, quality management systems.

## 1 INTRODUCTION

The competition among companies in a developing market, and even among countries, plays a decisive role in improving quality management system strategies; experience from countries with some history in elaborating strategies is forwarded to countries with developing economies. Quality management became a business practice to the benefit of companies, with a gradual positive effect on the respective industry and even further. Nowadays a worldwide trend towards increasing customer's expectations regarding quality can easily be noticed. This tendency goes hand in hand with a growing awareness that continuous quality improvements are often necessary in order to achieve and sustain outstanding economic performance. Since its introduction in 1987, the ISO 9001 series for quality norms has been propagated in all continents. After several years of preparing the structure and infrastructure necessary for the certification, this process began in 1993, with more than 80% of the certificates during the first year issued in Europe. Currently there is a total of 1.138.155 ISO 9001 certificates issued in the world, 42.5% of which in Europe [1]. The current economic-technological scenario imposes the need for continuous changes upon organizations, in the way they operate and manage their business, in order to adjust themselves to newer realities and to remain competitive. Albania is among those countries that have denoted advances in terms of involving quality management systems and embracing quality certification procedure while paving the road towards a consolidated market economy. There were 171 companies in Albania that have obtained ISO 9001 certificates by the end of 2014, the first one having been issued in 2000.

From a theoretical point of view and due to its intrinsic goal, an ISO 9001 quality management system:

- communicates that the company provides products and services of consistent quality;
- shows that these products and services meet the customer's requirements, comply with the law and legislation, and meet the organization's own requirements;
- can help the company streamline its business processes and continuously improve them.

Additionally, companies can take advantages of such standard implementation, like help in increase of customer satisfaction; affect positively to the company image, demonstrating that it complies with internationally recognized quality standards. Considering the number of companies registered and carrying out activity in Albania during the same period of time, as classified by legal forms, there is evidence of a relatively low fraction of companies equipped with an ISO 9001 certificate. Only about 1% of the 29.000 companies registered as juridical persons in Albania are certified by the end of 2015. Meanwhile, an empirical study of Albanian companies regarding their competitive strategies and the utilization of the information on their websites confirms an increased awareness in many companies regarding the role quality management plays and the competitive advantage it provides [2], [3]. This deviation promotes studying what factors stimulate ISO 9001 certification in Albanian companies, as well as what its benefits are. Our analysis is only limited to this standard because it is the most well-known and most popular standard in Albania and worldwide; its implementation is directly linked to company performance, as proved by various studies; the principles ISO 9001 is based on serve as basis for other standards, and consequently an analysis of the stimulating factors and benefits of ISO 9001 certification may aid similar analyses of other standards in the future. This work is an effort to identify a relationship between a company's internal forces pushing for the application of quality management systems and external market forces or governmental regulations that obligate such a thing within the Albanian business environment.

- *Dr. Ira Zoga (Gjika) is currently a lecturer of Operations and Strategic Management in the Mediterranean University of Tirana, Albania. E-mail: [iragjika@yahoo.com](mailto:iragjika@yahoo.com)*
- *Dr. Nikollaq Pano is currently a lecturer of Marketing and Theories of Entrepreneurship in the Mediterranean University of Tirana, Albania. E-mail: [nikopano@yahoo.com](mailto:nikopano@yahoo.com)*

## 2 PURPOSE AND OBJECTIVES OF THE STUDY

### 2.1. Main purpose

Small businesses and very small businesses make up 82% of functional companies within the structure of actively functioning companies in the Albanian market, and only 18% of them have similar organizational and management characteristics with those competing in the European market. This significantly limits massive use of quality management systems in the Albanian market and is one of the main limiting factors of this study. The ISO certification target group, and subsequently this study's target group, are companies classified as juridical persons. Another difficulty in conducting this study is the lack of previous empirical studies in this field, based on protocols dictated by global experience, and difficulties in employing methodologies suggested by them. These factors, as well as other minor ones, have conditioned our study and have oriented us to determine the main purpose of it as follows:

- investigation of factors that motivate the implementation of ISO standards in Albanian companies;
- assessment of the impact these standards have, through evidence of expected benefits and the actual ones inside companies.

### 2.2 Going through objectives

Internal or external motivation might be one of most inspected and influential factors to explain the different outcomes of the various studies, and the differences between the performance improvement companies observe. We share the popular academic idea that motivation and internalization are the two most discussed variables which organizations should take into consideration when implementing ISO 9001 [4], [5], [6]. First of all, the motivation for implementing ISO 9001 can influence its effect on financial performance. Organizations may wish to obtain certification for external reasons such as pressure from customers, markets or governments, or for internal reasons such as improving productivity and efficiency. Those applicants targeting short-term external benefits could expect to gain mainly external benefits, while those aiming at real quality improvement could expect to achieve higher overall benefits. That being said, the first objective of this study and this paper is determining the most influential factors in prompting companies for ISO certification. Secondly, the degree to which ISO 9001 principles are adopted internally is dependent on the motivation of the organization, and is thought to be critical to successful implementation. Organizations with external motivation tended to implement measures prescribed by the standard as a quick fix to quality problems, while those with internal motivation were more likely to use the standard and the underlying principles in day-to-day decision making to really improve quality [5]. Internalization of ISO 9001 principles is considered necessary in achieving the most significant performance benefits from the QMS standard. Our study's second objective is identifying companies' expectations about the benefits of certification. Assessing the advantages companies have had as a result of certification, from their point of view, is the third objective of the study, which, combined with previous objectives, allows for the deduction of some recommendations to help companies for the best use of standards. The emphasis should be on the quality management principles the most recent ISO 9001:2015 standard is constructed around, that are: customer focus,

leadership, engagement of people, process approach; improvement; evidence-based decision making; relationship management (ISO 9001:2015).

## 3 RESEARCH QUESTION AND METHODOLOGY

The strong relationship between certification motivations and resulting benefits for Albanian companies is at the focus of this paper. When firms are reacting to external pressure for certification, they may face ISO 9001 registration as the prime objective and adopt a minimalist approach to achieving it. Such firms obtain quality certification, but they may not fully value quality management systems, and thus will achieve limited benefits [7]. The research questions we put forward are:

- What are the main factors that prompt Albanian companies toward ISO 9001 certification?
- Do Albanian companies' actual effects of certification match their expectations?

To answer these question, we took up a research project looking at ISO 9000 set of standards in a more integrated manner using the different research strategies. Both questionnaire surveys and case studies investigating the processes related to standard implementation and operation in the organizational settings were used. The worth of ISO 9001 differs between organizations and depends on several organizational and external conditions, such as motivation for standards implementation, maturity level of quality management, implementation strategy, certification audits, and involvement of people. Due to this, benefits achieved from ISO 9001 are not the same for every organization. In order to carry out this study, we picked 50 companies that had gone through the process of certification at different times between 2005 and 2014. This choice was limited by the fact that most ISO certified Albanian companies have received certification after 2009. The questionnaire survey that was sent to these companies was constructed with the purpose of evaluating the degree of interest Albanian companies have in ISO certifications for their systems by looking at the effects this system's application has had on certified companies that employ it. The companies included in this study conduct their activity in different fields, as the structure of ISO 9001 certified companies by field of activity is also very diverse. Surveyed companies' activities include firms from metal industry, meat processing, food and drinks, wholesale/ retail and services. The limited number and size of certified companies does not allow for an in-depth, discipline-oriented, or size-specific study. The prevalence of medium and small companies in the Albanian economy has oriented our research toward assaying companies with various annual turnovers and numbers of employees. These are at the same time some of the limitations of our study. The questionnaire is made in accordance with the formal rules of questionnaire construct and it has been based on implemented, estimated and protocolled elements in studies previously done in different countries. The intention was to avoid confusion and bias, to get the most accurate and not -influenced answer from the respondents.

## 4 DISCUSSION AND ANALYSIS

The empirical study of a group of Albanian companies ISO 9001 certified forms the basement for the analysis of achieved results. The profile of the sample is characterized as follows:

1. There are included in the study 50 companies that have

- received the ISO 9001 certificate after 2005 and 45 of them have given valid responses. They are part of
- The sample of the responding companies includes private companies from a variety of sectors: around 35 % are food and beverage manufacturing companies, around 30% from construction, another 30% from wholesale/ distribution & retail, while the difference are service companies (banking/finance, consultancy, communications, insurance). Such structure of the sample implicit similar motivation factors and results from ISO 9001 implementation, unless otherwise clearly evidenced and discussed.
  - After collecting the filled in questionnaire, 12 companies were selected for interviews with the quality managers responsible for the system implementation in the respective companies. The increasing turnover and number of employees during last years were the main criteria for the selection.
  - The most of respondent companies have been doing business for more than 10 years. Only two of companies were established recently, but their development justifies considering them as part of the sample and rely on their responses. All the companies filled in the questionnaires voluntarily and without being influenced.
  - The surveyed companies have their activity throughout the country and some of them are also involved in export. They represent around 30% of companies ISO 9001 certified in Albania, as the Fig. 1 below shows.

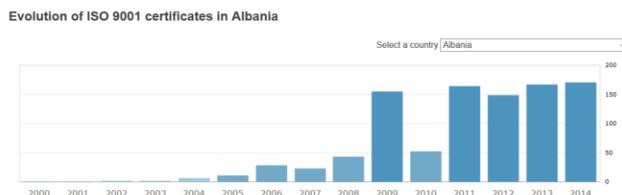


Fig. 1 - ISO 9001 certification in Albania.

#### 4.1 Motivation factors and implications

There are companies that have always worked to high standards and they knew that, but they want their clients know and understand it too. From the other side, companies are attempting to gain and work with new and/ or larger clients, that in turn are requesting audited proof of company' methods and standards of practice. This happens when companies became ISO 9001 certified, because these standards not only help them to comply with regulations – in conjunction with third-party certification by an accredited certification body –, they also help companies demonstrate to potential customers and authorities that they are doing things according to the rules and providing quality products or services. The answers from the Albanian companies in the survey rank the factor “to satisfy the external requirements and the market pressure” in the first place, with around 60% of respondents accepting that they have been driven by such needs. Further discussion of this factor shows that a number of companies have gone through with the certification process in order to extend their activity to foreign markets by adapting to export requirements for their products. This was more typical for companies that manufacture food products, drinks, shoes, etc. The rest of the companies that have given in to market pressure mention ISO certification as a requirement for participation in public

procurement procedures. From many companies' point of view, ISO 9001 certification allows them to enter the public market, which in turn helps to maintain good customer relations, increase business confidence, output and profit. The second-ranked factor by certified companies is “to facilitate procedures and contracting with clients”. About 20% of surveyed companies confirm that ISO 9001 certification was mostly needed in order to facilitate selection procedures from clients and to contract with them. In Albania's case, following years of continuous effort to attract direct foreign investments, this demand is closely tied to the demands foreign companies put forward and the work practices they aim to impose in the business environment during their cooperation with Albanian companies. Some of the less stimulating factors were “to improve productivity, the organization & operation of actual QMS” and “to improve the image and the reputation of the company”. These factors were generally viewed as ISO certification benefits for SMEs, rather than as promoters to undertake the whole process. Based on the results of the questionnaire surveys and the interviews with managers of respective companies, we can answer the first question posed in this study by confirming that the main certification stimulating factors are external and tied to export demand, participation in public procurement, and facilitation of client contracting. Increased awareness of many companies' leaders regarding quality as one of the most important competitive advantages to be successful in the market is worth noting from the results of the first part of the survey. Nevertheless, taking definite steps towards the establishment of quality management systems and confirming the realization of these systems' requirements, which materializes in the form of the corresponding certificate, is considered unnecessary or difficult. This is considerably due to companies' expected benefits from a certification process, which has costs, requires time and organization' commitment.

#### 4.2. ISO 9001 certification and the organization performance

There are evidences that the performance of organizations can be affected by ISO 9001 certification. Without going into details of classifications done for the expected benefits from certification, well discussed in many studies [7], we have firstly listed the benefits Albanian companies would expect to achieve from the certification based on their general knowledge, the presentations from consultancy entities and their partner experience. Despite being mostly stimulated by external factors the Albanian companies rank **improving the company's image** first when considering expected effects of the system's implementation. Next are **using the certification as a marketing tool** to give them advantage over competitors, and **sales growth**, on the condition that the added income be able to cover certification expenses as fast as possible. The results from the third part of the survey allow us to make a qualitative assessment of the factual benefits Albanian companies have attained following certification. Increased participation in public procurement, which means an increase in sales and market expansion to companies, is the most important accepted effect. A quantitative assessment of the benefits of this nature hasn't been possible in the context of this study, as it would require a longitudinal observation of the companies, and the selection of companies with specific characteristics. The increase of exports and cooperation with foreign investors, as well as the improved relationship with

authorities and other stakeholders, constitute significant external benefits. As for internal benefits, various authors' studies have suggested that certified companies can obtain better productivity, have lower defect rates and fewer customer complaints [8]. However, these benefits are less apparent and less perceptible in Albanian companies, at least compared with marketing benefits (improved customer satisfaction, gained competitive edge, nation-wide recognition). We emphasize the opinion that there is a positive relationship between ISO 9001 certification and performance, but the benefits achieved from ISO 9000 set of standards are not the same for every organization. They depend on the level of ambition and commitment to achieve business excellence. There are only a few external and internal benefits that follow from the standard itself. Most internal benefits require a change in practice and commitment from all organizational members. Our study, through its case-study part, the interviews with the responsible quality managers, proves that the implementation of system requirements is easier and more effective in those companies where top management is committed to engage in and support the certification process. Regardless of this, the concern for the extra cost required and the complaint for the extra documentation/ bureaucracy augmented due to system requirements is one of the most unsatisfactory finding evidenced in the study

## 5 CONCLUSION

This paper highlights and analyses the conditions under which ISO 9001 certification is likely to be implemented and to have positive effects on organizational, marketing and financial performance in Albanian companies. Using the different research strategies and theoretically integrating the results from other related studies, this paper is providing a more comprehensive picture on ISO 9001 motivation factors and standardization advantages. Some conclusions are drawn at the end of the study work according to the results of the questionnaires and face to face interviews in 12 companies with quality managers. In response to the first research question and fulfilling the first objective of our work is determining the most influential factors in prompting companies for ISO certification, the following points should be mentioned:

- The Albanian companies have been stimulated mainly from external factors to apply for and successfully get the certificate ISO 9001. The internal factors are ranked lower in the list.
- Amongst the external motivation factors, almost at the same level are ranked the certification as a requirement for participation in public procurement procedures, which in turn brings a fast increase of sales and profit; the certification as a need for export, especially for food and beverage manufacturing.
- Implementation of ISO standard derived as a need from the internal factors is mainly related to the improvement of operation, cost reduction and decreasing nonconformities. The image improvement and reputation is the least influential factor, as per Albanian companies' viewpoint.

Regarding the 2-nd research question raised and the objectives related - what are the actual benefits of certification and do they match with the companies' expectations – the following points are of importance:

- The companies that have had sales growth due to greater participation in public tenders and due to entry in export markets confirm financial and marketing benefits from certification, as they expected. Measuring such effect and assessing the role of certification in it compared to other factors might be a field of investigation for future studies.
- The companies that have started the process and implemented the ISO system with the expectancies for service quality improvement, for marketing needs and better image of the company, confirm achieving of such benefits, but they don't evidence cost reduction, and/or financial results as expected.
- A few companies have been implementing the system for several years without any obvious result, especially in financial and operational terms. However, these cases might need a detailed analysis, beyond the capability of the mentioned study.

Practical implications for Albanian companies - The internal motivation and design of the QMS based on the real needs of an organization are important conditions to achieve positive effects from the standards implementation. The focus should be on the areas that need to be improved, not only on fulfilling the minimum requirements for obtaining the certificate. The objectives need to reflect the expectations of customers as well as the organization's aims for future success. Consequently, only self-motivation will make improvement sustainable. If the ambition and commitment level are very low and organizations devote too much attention and place too much value on the certification, the focus on real improvements is shifted away by limiting the efforts to the satisfaction of the minimum necessary requirements, just fulfilling the auditors' demands and setting defensive and easy to achieve objectives. Furthermore, the involvement of people was identified as critical for the successful implementation and operation of a quality management system. The commitment of top management is vital, as well as the engagement of a dedicated and knowledgeable quality manager or facilitator. This work could have been of value if it would encourage further studies on the field, closely related to the characteristics of Albanian businesses.

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