

# **IMPLEMENTATION OF ISO 9001 STANDARD AND INCREASED CUSTOMER SATISFACTION IN SMALL & MEDIUM ENTERPRISES ON REPUBLIC OF MACEDONIA**

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## **Abstract**

*This paper analyzes the consumer satisfaction of enterprises that implement ISO 9001 standard and the others that don't implement the ISO 9001 standard in the Republic of Macedonia. The research conducted in this paper shows the consumer satisfaction offered in this country and how they manage this standards based on theoretical and empirical research. We, as authors emphasize the need for enterprises to focus on issues related to consumer satisfaction and the application of this standard to enterprises in the Republic of Macedonia (specifically Polog Region). To analyze this effect it was necessary to use the method of surveying with customers in the Republic of Macedonia. The analysis based on 120 customers on Polog Region, where is analyzed how satisfied are customers that buy products that are ISO standard certified and how consumers manage to distinguish between certified and uncertified products. With the data processing we can conclude that consumers have relatively good knowledge on certified standard products.*

*Keywords: Consumer satisfaction, ISO 9001 standard, SMEs, empirical study, Macedonia*

## INTRODUCTION

In recent years, almost all enterprises in our country and worldwide have paid great attention to the term consumer satisfaction. The goal of all enterprises and managers is reaching consumer satisfaction and loyalty. When it comes to consumer satisfaction or dissatisfaction, this term is not the same for all customers. So consumer satisfaction and dissatisfaction is defined by the attitudes that consumers have for products once they have used them. Today, in the era of globalization, consumers have much more information about the products and services they use, their advantages and disadvantages and this enables them to verify their quality, verify alternative products that are closer to their expectations and at the same time they make their choice based on time, place and opportunities at their disposal. When we talk about consumer satisfaction what can be noted is that in the last decade there is a large number of researches conducted in this regard. Various studies give us more information about the definition of consumer satisfaction. (Kotler et al., 2006, p.139) defines satisfaction as a personal feeling that appears as positive or negative opinion from the use of a certain product or service compared to the expectations of consumers. In the 1970s, Anderson (1973) defines consumer satisfaction based on consumer expectations and perceived performance. The research of Churchill and Supremant (1982) reveals and proves preliminary principles for measuring consumer satisfaction and accepts this paradigm.

Parasuraman and his associates (1988) talk about the measurement of consumer satisfaction including five dimensions of quality. They conclude that when the expectations from services are higher than expectations or that are zero then the feeling of consumer's satisfaction appears; and if expectations from services are lower than expectations or are zero it shows consumer dissatisfaction, but when the difference between expectations and achievements equals to zero then it results with dissatisfaction. Other authors define consumer satisfaction in different ways and some of them are mentioned below: (Hunt in 1991) defined that "consumer satisfaction is an evaluation from the consumer experience, whether it is as good as it was expected. Therefore, if a consumer gets what he expected, either from a product or service then the consumer is satisfied, and if the product or service fails to meet the expectation of the consumer the consumer expresses dissatisfaction.

## LITERATURE REVIEW

Consumer satisfaction is a phenomenon studied since the 60s. It is very difficult to measure the spiritual satisfaction of every consumer; therefore, many researchers in their works have found that the key to the success of any enterprise is considered to be consumer satisfaction. If enterprises in the market have satisfied consumer then the same will ensure market expansion,

lower costs, increase of profitability, an increase of quality or improvement of the product it offers. (Sprowls and Asimow, 1962) have built a model according to which they conclude: consumer satisfaction results from their repeated buying. Consumer satisfaction is considered as an essential element of the marketing concept for more than three decades (Parker and Mathews, 2001). (Neumann and Giel, 1995) emphasize that enterprises focus on consumer quality requirements, requirements which differ from one consumer to another. Enterprises that address market in general differ significantly from those which address the consumer in particular. Enterprises which address the market in general aim to increase the markets, while the latter intend to increase consumer satisfaction. The ultimate goal of enterprises' performance is the satisfied consumer. An important part of ISO 9001 standard is consumer satisfaction as well. The key essence of being successful enterprises is their support on consumer satisfaction.

These days, when companies face a harsh competition, we notice that consumers we consider loyal to the enterprises are far more important than random consumers. Consumers, who are considered by enterprises as loyal, are always willing to buy goods and products, comply with difficulties and mistakes that may be arising from those products and at the same time they recommend other consumers to the enterprises concerned. Companies that decide to implement and certify with quality management system based on internal motives of the enterprise, deal with the necessary improvements in the organization and the management of the enterprise. Moreover when the senior management is profoundly involved and dedicated to the work, the consumer achieves the greatest satisfaction. (Sila et. al, 2003) have analyzed and compared 76 quality factors and their impact on the enterprise performance. The results show that the top management, process leadership, the focus on consumer, training, strategic planning, the involvement of employees, human resource management, teamwork, continuous improvement, social responsibility and consumers satisfaction were the most analyzed factors in these empirical analysis. The empirical study conducted by (John and Peter, 2003), points out that consumers appreciate the quality of the product, require additional information regarding the brand of the product, which gives an advantage to the enterprises.

Another good quality signal is the products' place of origin; rich countries focus more on maintaining the best quality, and in these countries there is a tendency for a link between consumers and the country's income per capita. New enterprises from developing countries face serious problems in export markets. The standardization at international level offers a possible solution to their problems. However an analysis of the functioning of ISO 9001: 2000 standards shows that it is difficult to eliminate information asymmetries. (Sandeep et al., 2004) noted that different environments of quality management may be suggested to enterprises for

various purposes such as: improvement of the quality of their product, improvement of the consumer satisfaction, encouraging competition and increase of profitability by specialists in practices of quality management. The factors responsible for a good environment and quality were identified by the authors. All these factors interact with each other in different proportions. (Olszak & Ziemba, 2006) stated that today, the senior management is working to improve the business standards and consumer satisfaction through executive decision-making; all these steps are mandatory in order to reach the highest levels of excellence.

Apte et al. (2007) are of the view that, although consumers commodity should be rightly regarded as a central element in the services on field, the consumers' experience suggests that service enterprises rarely have in mind the consumers optimal time when making operational decisions and scheduling. This paper discusses the results of our research on two interrelated topics: the explicit inclusion of consumers' time in non-emergent decision of offering services on field and the analysis of exchange between the consumers' commodity and expenses of the service provider on field. Based on previous research on service quality, they have identified and illustrated two elements of measurement of performance based on time that are particularly important to evaluate service quality of services such as: performance quality and conformity quality. (James, 2007) believes that ISO 9001: 2000 certification produces visible and concrete outputs for organizations in the form of stable product quality, improved market image, increased consumer satisfaction and long-term profitability. However, the derivative impact ISO 9001: 2000 on the human side of the organization, especially its impact on the human internal environment is insufficiently researched. The goal of this study is to examine how the process of implementing ISO 9001: 2000 transforms the components of the organizational climate, especially the motives of the existing climate in an organization.

The methodology of the study emphasizes that ISO 9001: 2000 system was the independent variable that can cause changes in the organizational climate which is the dependent variable. The climate is measured before and after the implementation of ISO 9001: 2000, using Pareek's MAO-C instrument. Based on the obtained results on constituent climate motives, organizational climate patterns that prevailed in an organization before and after the implementation of ISO 9001: 2000 are studied. The results of the study indicate that as a result of ISO 9001: 2000 implementation, dysfunctional motives of the organizational climate such as control, dependence and affiliation go through a transformation while allowing space to functional and favorable climatic motives such as achievement, impact of the experts and expansion. The efforts of the study are to cast a light on the favorable impact that ISO 9001: 2000 may have on the organizations climate. The findings tend to predict that: if implemented well, the ISO 9001: 2000 system can function not only as an instrument to enhance the quality,

but also as a useful tool for strategic change management, that may indeed have the potential to transform the character as well as the performance of the organizations.

## RESEARCH METHODOLOGY

This study aims to show the connection between ISO 9001 standards and consumer satisfaction and to prove that ISO 9001 standards affect the increase of consumer satisfaction within enterprises. We as author wanted to look at a dependence structure, with a dependent and a set of explanatory variables that's why we used the logistic regression. A logistic regression in SPSS was carried out which provides several ways to interpret the results of using variables as predictors of whether or not consumers are satisfied of ISO 9001 standards. Logistic regression is used to predict a categorical (usually dichotomous) variable from a set of predictor variables.

In this study we used a questionnaire regarding the impact of ISO 9001 standards on consumer satisfaction. The sample consists of 120 questionnaires distributed to 120 small and medium enterprises in Polog region, Macedonia. The questionnaire included questions about how much the enterprises in this region invest in increasing the level of consumer satisfaction, the knowledge related to standards and standardized products and the process of standardization that positively affects the growth of the enterprises' authority. The measurement scale of the questions is Liker 5 scale (1 = strongly disagree and 5 = strongly agree). Enterprises were asked to choose one of the scales beside questions related to the attributes received in this study.

## ANALYSIS AND RESULTS

Table 1. Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	R Square
1	113.487 <sup>a</sup>	.254	.285

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Table 2. Classification Table<sup>a</sup>

		Observed	Predicted		Percentage Correct
			Consumer satisfaction under average	Consumer satisfaction over average	
Step 1	Consumer satisfaction	satisfaction under average	0	24	.0
		satisfaction over average	0	96	100.0
Overall Percentage					80.0

a. The cut value is .500

Table 3. Variables in the Equation

		B	S.E.	wald	df	Sig.	Exp(B)
Step 1 <sup>a</sup>	Has the enterprise implemented ISO(1) standards	1.293	.543	5.683	1	.017	3.645
	Constant	.947	.270	12.288	1	.000	2.579

a. Variable(s) entered on step 1: Has the enterprise implemented ISO standards.

This model manages to explain very well the relationship between variables. The valued regression parameter is 1,293 i.e: that the category 1 in the independent variable (Has implemented standards) is associated with higher values in the dependent variable, therefore consumer satisfaction is much more likely to be higher compared to the enterprises which do not implement ISO 9001 quality management standards.

## CONCLUSIONS AND RECOMMENDATIONS

From this study we can conclude that enterprises that are certified with ISO 9001 standards perform quality management practices better than the enterprises that are not certified by this standard. From this it is clear that the work culture and leadership of senior management in quality certified enterprises have been driven to achieve higher levels of excellence. The study makes us understand that satisfaction is part of certified enterprises, to that extent that some enterprises that are certified with ISO 9001: 2000 for a short period of time, feel quite confident in the existing quality label. All certified enterprises surveyed in this category are certified for quality in a period of five years or more and therefore the conclusions can be justified. Although

there is significant difference between these two types of enterprises related to the increase of consumer satisfaction, which is reflected by the increase of the number of consumers within a short period of time, the index is lower for uncertified organizations with ISO 9001: 2000. Enterprises that are ISO 9001: 2000 certified may need to pay more attention to employee involvement, continuous improvement and consumer satisfaction if they want to remain competitive in the actual environment and wider. ISO 9001: 2000 certified enterprises can maintain the quality and therefore have a better performance by practicing quality circles more seriously, make teams function more effectively with each other, and often review quality. These can improve the business processes of an enterprise and thereby ensure strong foundation for cost-effectiveness, improving quality within the limitations time and resources. If quality maintenance is taken seriously, after QMS certification the overall increase can be guaranteed. Nevertheless, it does not necessarily mean that the enterprises that are not ISO 9001: 2000 certified cannot work well if they start exercising quality management system, without fear of documentation, by adopting modern methods. This may lead to monitoring and vigilance efforts besides the synergic effect.

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