

FINANCIAL FACTORS, STUMBLING BLOCK AT INTRODUCTION AND MAINTENANCE OF THE QUALITY SYSTEM

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ABSTRACT

Have you ever seen companies so busy with the profit that they could not see their bankrupt? They lose money because of their occupancy with the profit. Too many people concentrate only to the result of game without knowing how to play that game. If you concentrate to the result, you cannot play well. The same situation is with the management process.

Isak Adišez states: "I disagree with authors whose attention is directed exclusively towards managing upon the results. That should be the management for the results, with proper processes. Management based on the managing upon the results is acting mechanically". This is mostly managing upon the outputs or results with weak orientation to the inputs and processes. Primary attention is directed to the goal, but not to the means for achievement of that goal.

Almost most of organizations put financial results of business as the primary plan. By introduction of the quality system in their organizations many managers think that they will solve all problems, even the financial ones. Unfortunately, this is not the case, especially in first years after introduction of the quality system and especially if that quality system was falsely introduced, but not actually.

This work will present parts of researches which refer to the influence of introduced quality system to some financial factors through which the effectiveness of introduced quality system can be measured. Research was conducted in 204 certified organizations in Bosnia and Herzegovina. Results point that majority of organizations did not experience improvement of effects in the part of financial factors.

Keywords: quality system, effects of the quality system, financial factors

1. INTRODUCTION

Competitive capability of Bosnian-Herzegovinian economy is on very high level, which is confirmed by many indicators of various world organizations and institutions which, along with small group of countries, put us to the very bottom upon many indicators of both competitiveness and GDP (Gross Domestic Product) [2]. In last few decades demands regarding achievements of competitive product have been significantly changed. The basis for competitive advantage of organization on global market can be very different: lower price, differentiation, **certificate of the quality management system**, costs, delivery speed, time from development to offer of product in market, the newest technologies, etc. In some organizations the standard-certificate is promoted as competitive advantage over others. Still, there is no rule that organizations which possess certificate for quality system have advantage over others. Even though they have established and certificated good quality system some

organizations are not successful or they are almost entire on the brink of disaster. On the other side, many organizations do not have certificate but are very successful in their results.

There is a question where Bosnia and Herzegovina is in these relations and what it has benefitted from organizations which acquired certificate? What have the organizations themselves benefited?

Therefore the intention of this work is to establish what are the effects of certificated quality management system in Bosnian-Herzegovinian organizations, with a look to some financial factors which are mostly used in such researches.

2. OVERVIEW OF PREVIOUS RESEARCHES

From the moment of appearance of standards from ISO 9000 series and certification of quality systems according to this standard the research of achieved effects started all around the world. We present only a few of the results of research which refer to individual research referring to some financial effects acquired by introduction of quality system according to demands of standard ISO 9000 series:

- Research conducted in Sweden in 1993 in 23 multinational organizations considering expected and realized benefits upon certification according to ISO 9000. The least realized expectation was connected to increment of share in sale where only 9 expectations were realized from 17 of them (available on www.orioncanada.com/rev_art.htm);
- In empirical research on effects of TQM among 316 private organizations, mostly from manufacturing (57%) and service (27%) activity in Norwegian organizations, the biggest effects of TQM were registered in organizations which implemented all elements of approach. Introduction of quality system according to demands of ISO 9000 has the biggest influence to improvement of product quality. Low connection with profit, productivity and competitiveness was established [3];
- The work [4] conducted identification of costs and benefits of acquiring of ISO 9000 certificate. The research was conducted on 405 certified organizations in Hong Kong. More than 65% think that ISO 9000 certification is worthwhile, and more than 76% think that costs of certification are low (reasonable). Most of organizations think that ISO 9000 is necessary to introduce to organization. There are very few organizations which belong to a group which believe that ISO certification is expensive and is not worthwhile.
- Financial effects of introduction of quality system in Danish companies were researched by Haverso T. [5]. Research was compared with organizations which did not acquire certificate. It was noticed that certified organizations achieve better performances from those which are not certified, and that they achieve best results two to four years after certification.
- Following research [6] in America studied influence of acquiring of certificate of ISO quality for manufacturing organizations which are on the stock market. Research was conducted in the period of 10 years on large number of organizations, over 7,000 of them (7,238) which had SIC code 2000-3999 (manufacturing companies). Influence of certificate to improvement of financial effects was confirmed, and it was measured by ROA (Return on Assets). It was accurately confirmed that organizations which did not get certificate experienced significant decrement of ROA, decrement of productivity and sale, while the organizations which were certified mainly avoided the fall.
- Research [6] conducted in 212 organizations in Slovenia as part of checking of the effects of usage of standard to financial business results (profit, profitability, costs...) does not recognize improvements which would achieve expected mark. It also does not recognize satisfactory increment of sale volume, number of new customers or increment of profitability of old customers. The authors think that usage of standard directly affected effects on technical scope of business, and indirectly on business scope of business.

3. METHODOLOGY OF RESEARCH

Research of the effects of BH organizations which have introduced and certified their quality system according to demands of standard ISO 9001:2000 we can define as empirical research because we have chosen direct observation of selected segment from the real environment and analysis of collected information in it. For collection of quantitative information we used one of four main ways – questionnaire. We shaped the questionnaire in the way to have it as simple as possible (for usage and understanding), thorough and reliable, made in the way of claims and questions so that its filling needs as less time as possible. In the view of time dimension the research is limited only with one time point, i.e.

research of the time review, while from the point of view of originality the research goes towards research with primary performance because it is based on original empirical data. It is one of the first researches on that area in selected environment (Bosnia and Herzegovina) and in such volume. The research is structured in the way to enable comparison or possible repeated performance after certain time, and in time it could become starting research (starting point) of study which could be continued on that “follow-up study” [8].

3.1. Conduction of the information collection plan and presentation of the sample

The postal questionnaire was selected for information collection. The Table 1 shows described conduction. As for the phone and personal contacts we limited ourselves to remind and ask people to fill questionnaires and return them. We think that in this way we fulfilled one of the key conditions for objectivity of research. The presentation of the sample can be also seen from Table 1.

Table 1. Conduction of the information collection plan [1]

Statistical population	Organizations in B&H in 2008 which possess introduced quality system according to requirements of standard ISO 9001:2000 (Period of validity of this standard only).
Unit of the sample	Individual organization
Limits of sampling	660 organizations from the population
Size of the sample	Planned out of 120-150 units – 204 units achieved, from which:: - 98 (48%) proizvodnih i 106 (52%) uslužnih organizacija - Limited liability company (139=68,1%); Joint stock company (41=20,1%); Public companies, organs and organizations (21=10,3%); and three others organizations (3=1,5%) - 87 organizations have got up to 50 employees (42,65%); 81 organizations have got between 51 and 250 employees (39,7%); 36 organizations have got more than 250 employees (17,65%) - 62 organizations (30,4%) acquired certificate in the period 1997-2003, and 142 organizations (69,6%) acquired certificate in the period 2004-2008.
Procedure of sample choosing	Random sampling inside the population
Researching instrument	Structural questionnaires
Acceptance of the researched factor	Mark of the factor > 3,70
Method of information collection	Combined postal method, supported by their own phone calls and contacts through certification houses and ministries
Time for poll conduction	from March 2008 to July 2008
Time of established situation	Beginning of 2008.

4. RESULTS OF THE RESEARCH

The first part, Table 2, presents results of three questions related to costs referring factors of manufacturing function. This part of questionnaire was answered mostly by managers responsible for production (in 70% of cases, 25% by managers for quality, and 5% by chief managers in organizations). As it can be seen from Table 2, the organizations did not experience decrement of costs related to production which points to the fact that standard costs, meaning both its introduction and its maintenance, which we can recognize through some of these factors (costs).

Table 2. Influence of introduced quality system to some costs in manufacturing functions

	Factor/Mark	AV	SD	V
1.	Material costs are decreased	3,56	0,87	0,75
2.	Costs of maintenance of working equipment and engines are lower	3,40	0,94	0,88
3.	Labour costs are lower	3,25	0,95	0,89

Finance and relating questions are the problem everywhere. Considering the influence of introduced quality system to financial factors for organizations we posed seven questions. We avoided any direct questions such as amount of salary of employees, and similar questions. Our wish was that this part of questionnaire be filled out by manager of financial service. In 60% of organizations this part of questionnaire was filled out by financial managers, financial directors; in 21% of cases it was filled out by managers for quality, and other 9% was filled out by chief managers or their assistants. Table 3 presents influence of introduced quality system to some financial factors.

From the analysis of average value (AV) per some financial factors we see that organizations felt influence of introduced quality system to general business results, with a very good mark 3,89; as well as to the profitability of organization as unity with a mark 3,81.

Unfortunately, as for other financial factors the organizations did not notice more significant influence of introduced quality system. Increment of profit with a mark 3,67 was closest to achievement of the goal (3,70). After this factor, the best marked factor was factor “Stock turnover is better-faster” with a mark 3,53 while other three marked factors gained significantly lower marks.

Introduced quality system did not affect increment of solvency of company. AV is low 3,40; and SD is high 0,96. The opinion about that influence is very different and spread, but this does not mean that organizations are not solvent. Also, decrement of business costs was not noticed nor that customers pay more regularly. This factor (Customers pay more regularly) is the lowest financial factor.

Table 3. Analysis of the influence of introduced quality system to financial factors

	Factor/Mark	AV	SD	V
1.	Solvency of company is increased	3,40	0,96	0,92
2.	Customers pay more regularly	3,35	0,99	0,97
3.	Business costs are lower	3,39	0,96	0,92
4.	Stock turnover is better-faster	3,53	0,89	0,80
5.	Profit is increased	3,67	0,97	0,95
6.	Profitability (of the entire organisation) is increased	3,81	0,87	0,75
7.	Generally, business results are improved	3,89	0,90	0,81

AV - Average value; SD - Standard deviation; V - Variable

5. CONCLUSIONS

FAQ (frequently asked question) is can we talk about successful managing of organization with exclusion of financial aspects of managing. The reason for this is that some people try to justify such move by their statements that ISO 9001 standard does not explicitly mention financials anywhere, and by statements of certified organizations that quality management system is worthwhile for entire organizations with exception of finance and accountancy because these areas are “defined by law”. However, by studying and analysing development of quality and its influence to financial aspects in systems we can conclude that financial aspects have become key element in quality management systems

Most of Bosnian-Herzegovinian organizations do not connect standard with financial factors.

There is a lack of connection of results of introduction of QMS with financial factors. Such connection will enable balanced indicators system which some organizations in B&H think about.

We can conclude that organizations which joined project of implementation of quality management system, continuing trends of quality development, cannot and must not exclude financial factors from the area of observation because this area is integrated in entire business. Therefore we bring this to end by the ninth command of one guru for quality, Japanese Ishikawa, which exactly speaks in favour of these concluding considerations. **“Main indicators for quality, from the beginning to the end, must be financial parameters and their behaviour”.**

6. REFERENCES

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