

Adoption of ISO 9000 by Companies in Kazakhstan: Reasons for Adoption, Perceptions by Managers, and Benefits for Companies

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Abstract

The current paper explores the reasons for companies in Kazakhstan to adopt ISO 9000, the role of management, perception of Quality Management, and benefits from certification. The managers and employees of companies responsible for adoption of ISO 9000 were asked to answer survey questions. The main conclusions arising from study are that the major source of ISO 9000 knowledge are foreign partners, most companies report improvement in quality, and only small percentage of respondents agreed that costs decreased. The study shows the need to intensify promotion of ISO 9000 on local level by conferences, workshops and other means. Also, according to survey results, companies should emphasize on waste management and system approach management principles in adopting ISO 9000.

Keywords: ISO, TQM, Certification, Quality

1. Introduction

According to statistics for 2007, more than 750 companies in Kazakhstan adopted ISO 9000 quality management standards (The ISO Survey, 2007). The ISO 9000 shows the company dedication to Total Quality Management principles. Surveys concluded on relationship between TQM practices and ISO principles showed that they both complement one another and ISO 9000 is starting point for broader TQM implementation (McAdam and McKeown, 1999). It is very important for local companies to adopt quality management principles because many foreign partners and importers require ISO Certification. The adoption of ISO 9000 by small and medium sized companies from different sectors will help to diversify exports of Kazakhstan that highly depends on oil and gas and increase customer service. Increased market share and improved customer service were major benefits of ISO implementation by Australian companies (Beattie and Sohal, 1999). Kazakhstan government supports adoption of ISO 9000 through Kazakhstan Institute for Standardization and Certification (About Institute, n.d.).

McAdam and McKeown (1999) indicated that three main benefits of ISO 9000 are customer satisfaction, marketing benefits and saving money on rework and scrap by introducing quality system. There are eight quality management principles on which ISO 9000 standards are based: Customer focus, Leadership, Involvement of people, Process approach, System approach to management, Continual improvement, Factual approach to decision making, and Mutually beneficial supplier relationships (Quality principles, n.d.). Companies that adopt ISO 9000 emphasize on some of these principles based on management perception and current needs.

The perception and reasoning for going ISO 9000 are very important for successful implementation. Previous studies show that small companies does not have clear understanding o benefits and required time and personnel investments when seeking for

certification (Rayner & Porter, 1991). The current study shows the reasons for adoption of ISO 9000, perception of ISO 9000 standards, and benefits from implementation in Kazakhstan. The results of research can help government agencies and ISO registrar companies to understand current state of ISO 9000 implementation and challenges in adoption of standards that companies face in Kazakhstan.

2. Research Methodology

The data for current research was obtained from companies that adopted ISO 9000 standards in Almaty. Sixty companies were randomly selected from database of State Committee for Technical Regulations and Metrology which provides list of companies and ISO registrar agencies (Database of Companies, n.d.). Questionnaires were distributed through couriers to people responsible for quality management in selected companies. Twenty four of sixty companies responded which is 40% respond rate. The demographic information on 24 respondent companies is following: (Size of companies) Large – 14, Medium – 4, Small – 6; (Sector) Service – 10, Manufacturing – 14; (Position of respondents) Top Management – 6, Middle Management – 14, Supervisors – 4.

The first part of survey questionnaire included questions on sources of ISO 9000 knowledge, perception, and expectations from ISO 9000 implementation. The second part contains data on outcomes from ISO 9000 implementation. For measuring perception of ISO 9000 and expectations from its adoption comparative ranking method was used. Choong Y. Lee (2004) used percentage changes in financial performance for measuring outcomes. Taking into account low transparency of local companies, for current survey likert method was used. Managers were not asked to provide exact financial data. They only indicated whether they agree or disagree with statements for measuring outcomes from ISO 9000.

3. Survey Results

Results on management perception and roles of ISO base on the current research show that foreign partners and shareholders are major source of ISO knowledge (Fig. 1). In 96% of companies the initiators of ISO certification are top managers and only one company reflected HR Department as initiator of ISO implementation (Fig. 2). Most of the managers perceive ISO 9000 Certification as quality management tool and only few perceive it as cost-saving tool (Fig. 3). Most companies expected Customer satisfaction and increase in cost competitiveness from ISO implementation (Fig. 4).

The reasons for certification are important because wrong reason affects company benefits from ISO 9000 (McAdam and McKeown, 1999). The respondent companies expected customer satisfaction from certification which is right reason and is indicated in Quality principles provided by International Organization for Standardization. Porter and Rayner (1991) found that top management attitude is determinant for effective certification. According to results of current study, top management is major initiator of ISO 9000.

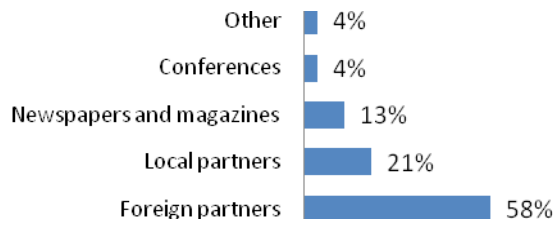


Figure 1. Sources of ISO 9000 knowledge

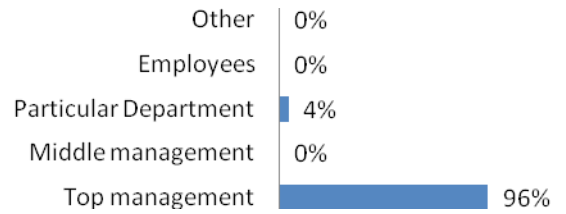


Figure 2. Initiator of ISO 9000 adoption

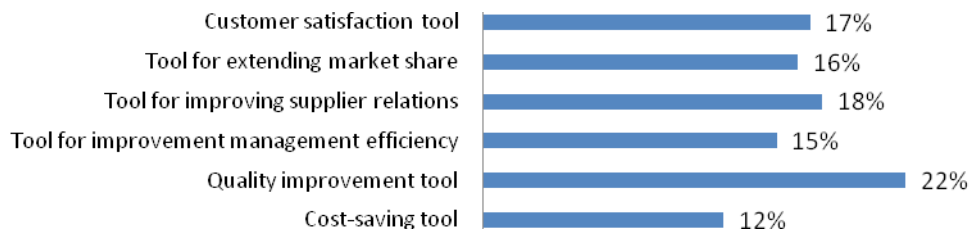


Figure 3. Perception of ISO 9000

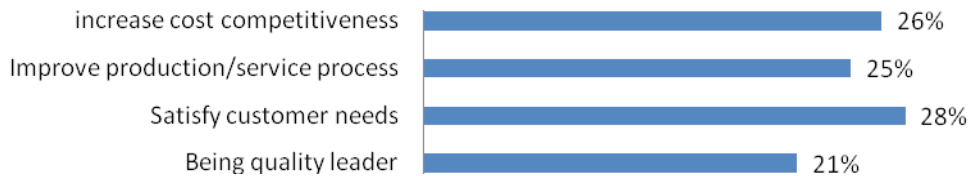


Figure 4. Expectations from ISO 9000 adoption

It is very difficult to quantify the costs and benefits from ISO 9000. Shah and Sohal (1993) indicated that traditional accounting system is improper to measure quality costs and benefits and companies should have comprehensive accounting and information system to quantify quality certification impact. Managers’ opinions were taken in order to measure outcomes from certification.

The outcomes from ISO implementation according to current survey were as following: Most of the managers agree that quality of products and services increased; half of respondents does not agree that cost-saving were substantial; most of the respondents indicated that sales and profits did not increased; and only small percentage of respondents agree with statement that coordination between departments improved (Table 1).

Table 1
Outcomes from ISO 9000 adoption

Quality of products/services improved		Sales increased	
Completely agree	21%	Completely agree	4%
Agree	63%	Agree	46%
Neutral	17%	Neutral	50%
Disagree	0%	Disagree	0%
Completely disagree	0%	Completely disagree	0%
Supplier relations improved		Profits increased	
Completely agree	13%	Completely agree	4%
Agree	50%	Agree	38%
Neutral	38%	Neutral	58%
Disagree	0%	Disagree	0%
Completely disagree	0%	Completely disagree	0%
Cost of production decreased		Coordination between departments improved	
Completely agree	8%	Completely agree	13%
Agree	33%	Agree	25%
Neutral	50%	Neutral	63%
Disagree	8%	Disagree	0%
Completely disagree	0%	Completely disagree	0%

The results indicate that perception of ISO 9000 has some impact on its implementation outcomes. Most of respondents perceived certification as quality improvement tool and tool for improvement supplier relations. Also most companies' benefits from ISO 9000 were improved quality and supplier relations. Certification was less considered as management efficiency improvement and cost saving tool. And most of respondent did not indicate their agreement with statements on cost reduction and improved coordination between departments. This issue should be addressed to top managers and ISO consulting companies in order to emphasize on waste management and process management dimensions of certification. Any company may have different types of waste in processes, motion, transportation, and inventory. The introduction of quality system should also direct company to eliminate these waste areas for cost reduction and quality improvement. ISO 9000 standards address to leadership and people involvement issues which if properly implemented may improve coordination within company and employees' loyalty. Half of the respondents indicted increase in sales but smaller number agreed with increase in profits. W. Andrew Taylor (1995) found out that most of businesses in Northern Ireland do not have sufficient measurement of financial impact of ISO 9000 implementation. Therefore, it is difficult to make conclusions on financial impact of certification in Kazakhstan.

4. Conclusions

The study helps to understand the perception of ISO 9000 by managers, reasons for going for certification, and companies' benefits from adoption of ISO 9000. The results show that major source of knowledge are foreign partners or shareholders. That requires from local ISO consulting companies and government agencies supporting ISO implementation to pay more attention to conferences, workshops and other means in order to increase the local sources of information. Also the survey results indicate that ISO implementation did not improved much coordination between departments. However, system approach to management and coordination between units within the company is basic principle of ISO 9000 series. Majority of respondents graded cost saving function of adopting ISO 9000 as least expected and 58% were neutral or disagree with statement that after implementation of ISO 9000 cost of production decreased. The above issue indicates that companies and ISO 9000 consulting firms should emphasize on waste reduction methods as part of quality management in order to fully benefit from ISO 9000 adoption. Also the results of study suggest that some correlation between perception of ISO 9000 and outcomes from its implementation exists. The perception of certification as quality and supplier relations improvement tool is correlated with more respondents' agreement with statement on increase in quality of products and services and improved supplier relations. ISO 9000 was less perceived as cost saving and management efficiency improvement tool and the results show that most of respondent are neutral or disagree with statements on cost reduction and improved coordination.

5. References

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