MANAGING QUALITY: WITH SPECIAL EMPHASIZES ON SME'S IN THE POLLOG REGION

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Abstract

Quality and managing quality are an ever discussable topics in scientific and business circles likewise. Product and service quality alongside price is without any doubt the most crucial factors in gaining and maintaining a proper market share. Although much has been researched and studied when it comes to big business, specially in developed countries, much has remained to be analysed in the case of SME's, specially in developing countries such as the Republic of Macedonia. The main rationale behind the paper is to provide initial data regarding the state of quality and managing quality in SME's in the Pollog region, one of the least developed ones but at the same time one of the most specific ones in the Republic of Macedonia.

Key words: *quality management, sme's, pollog region*

1. LITERATURE REVIEW

Gaining and maintaining a competitive advantage in a ever changing market is without a doubt a key challenge facing managers worldwide. On the other hand it is easy to prove that aside from price quality is the single most important factor in gaining the much needed edge over competition. Although much has been researched regarding quality and quality management worldwide, still much remains to be said when it comes to the implementation of quality management techniques in particular regions such as the Pollog region.

Juran and Godfrey (Juran and Godfrey, 1999, p. 2.2) introduce two main definitions on quality:

- "Quality" means those *features of products* which meet customer needs and thereby provide customer satisfaction. In this sense, the meaning of quality is oriented to income. The purpose of such higher quality is to provide greater customer satisfaction and, one hopes, to increase income. However, providing more and/or better quality features usually requires an investment and hence usually involves increases in costs. Higher quality in this sense usually "costs more."
- "Quality" means *freedom from deficiencies*—freedom from errors that require doing work over again (rework) or that result in field failures, customer dissatisfaction, customer claims, and so on. In this sense, the meaning of quality is oriented to costs, and higher quality usually "costs less."

According to them the definition of quality requires the clarification of certain key words (Juran and Godfrey, 1999, p. 2.3)

- *Product:* The output of any process. To many economists, products include both goods and services. However, under popular usage, "product" often means goods only.
- *Product feature:* A property possessed by goods or services that is intended to meet customer needs.
- *Customer:* Anyone who is affected by the product or by the process used to produce the product. Customers may be external or internal.
- *Customer satisfaction:* A state of affairs in which customers feel that their expectations have been met by the product features.
- *Deficiency:* Any fault (defect or error) that impairs a product's fitness for use. Deficiencies take such forms as office errors, factory scrap, power outages, failures to meet delivery dates, and inoperable goods.

- *Customer dissatisfaction:* A state of affairs in which deficiencies (in goods or services) result in customer annoyance, complaints, claims, and so on.

Garvin (1987) introduces eight basic dimensions of quality shown in table X.

Dimension	Description
Performance	A product's primary operating characteristics
Features	The "bells and whistles" of products and services, those characteristics that supplement their basic functioning
Reliability	The probability of a product malfunctioning or failing within a specified time period
Conformance	The degree to which a product's design and operating characteristics meet established standards
Durability	A measure of product life
Serviceability	The speed, courtesy, competence, and ease of repair
Aesthetics	How a product looks, feels, sounds, tastes, or smells
Perceived quality	As seen by costumers

Table 1. Eight dimensions of quality (According to Garvin, 1987)

When we talk of anything using the word quality it simply implies that we are referring to the extent or degree to which a requirement is met. It also means that all the principles, methodologies, tools and techniques in the field of quality management serve one purpose, that of enabling organizations to close the gap between the standard required and the standard reached. In this context, environmental, safety, security and health problems are in fact quality problems because an expectation or a requirement has not been met. (Hoyle, 2007, p.11).

Quality is often used to signify 'excellence' of a product or service – people talk about 'Rolls- Royce quality' and 'top quality'. In some manufacturing companies the word may be used to indicate that a piece of material or equipment conforms to certain physical dimensional characteristics often set down in the form of a particularly 'tight' specification. In a hospital it might be used to indicate some sort of 'professionalism'. If we are to define quality in a way that is useful in its *management,* then we must recognize the need to include in the assessment of quality the true requirements of the 'customer' – the needs and expectations. (Oakland, 2003, p.4).

Although quality and quality management does not have a formal definition, most agree that it is an integration of all functions of a business to achieve high quality of products through continuous improvement efforts of all employees. Quality revolves around the concept of meeting or exceeding customer expectation applied to the product and service. Achieving high quality is an ever changing, or continuous, process. As such, quality management emphasizes the ideas of working constantly toward improved quality. It involves every aspect of the company: processes, environment, and people. The whole workforce from the CEO to the line worker must be involved in a shared commitment to improving quality. Quality and total quality management (TQM for short) can be defined as directing (managing) the whole (total) production process to produce an excellent (quality) product or service. (Gogh *et al,* 2009, p.771).

Besides the many benefits, certain costs can be associated with quality, table 2.

Benefits of quality	Costs of quality
▪ improved processes can make products with guaranteed high quality; ▪ high quality gives a competitive advantage; ▪ consumers have become accustomed to high-quality products and will ▪ not accept anything less; ▪ high quality reduces costs; ▪ higher customer satisfaction; ▪ less waste and increased productivity; ▪ lower costs and improved profitability; ▪ reduced warranty costs; ▪ elimination of procedures for correcting defects; ▪ reduced administration costs for dealing with customer complaints; ▪ reduced liability for defects; ▪ competitive advantage coming from an enhanced reputation; ▪ larger market share with less effort in marketing; ▪ enhanced motivation and morale of employees; ▪ removal of hassle and irritants for managers.	▪ *Prevention costs* are the costs incurred to prevent defects occurring; ▪ *Appraisal cost* is the cost of ensuring that the designed quality is actually achieved; ▪ *Internal failure cost.* As a product moves through its process, it will be inspected several times, and any unit that does not meet a specified standard will be scrapped, returned to an earlier point in the process, or repaired. ▪ *External failure cost.* Producers are normally held legally responsible for the quality of their products and they often give a written guarantee. If a unit that goes through the entire process is delivered to a customer and is then found to be defective, the producer must bring the defective unit back from the customer and replace, rework or repair it as necessary

Table 2. Benefits and costs of quality (According to Armstrong, 2006, p.144-146)

2. SAMPLE DESCRIPTION

In order to secure relevant data regarding the level of implementation of quality management techniques by SME's in the Pollog region 55 managers/owners were interviewed by using a questionnaire. Due to the structure of business in the Pollog region the sample is dominated by service companies (67%). Only 18% of companies deal in manufacturing, qround 4% deal in construction and 11% are trading companies. It should be mentioned that the sample is dominated by male respondents (95%) compared to female respondents and this is in total compliance with the reality of the region in which women are seriously underrepresented in managerial and governing structures. On the other hand only a handful of managers (around 4%) have masters degrees and around 44% have finished certain university education, while the rest have finished only secondary education). Around 56% of surveyed companies have between 1-5 employees, around 37% have between 6-25 employees and only 7% of companies have 26 or more employees.

3. RESEARCH RESULTS

The research results show that although 78% of respondents have declared that they are aware of the existence of contemporary quality management techniques and standards only 27% of companies actually have an international quality certificates. Even though respondents do not posses in most cases an international quality certificate, the survey shows a relatively high degree of awareness regarding the importance and benefits gained by possessing such standards.

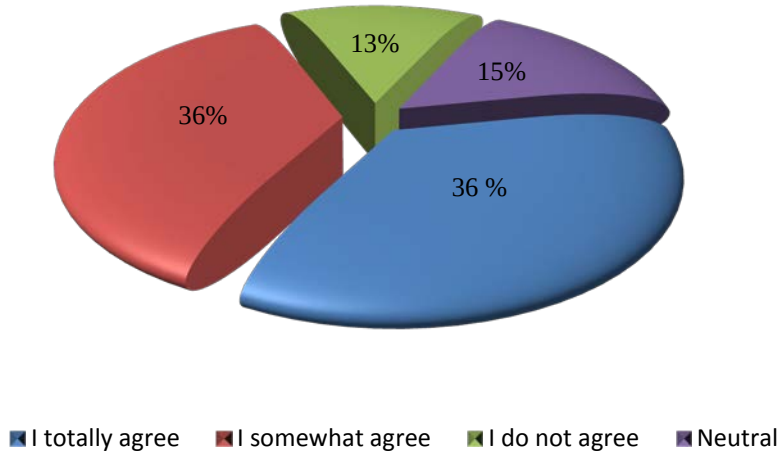


Chart 1. Level of awareness regarding the benefits from owning an international quality certificate

As can be noticed from the data presented in chart 1 there is a very high level of awareness regarding the benefits that can be gained by having an international quality certificate among respondents. In fact only 13% of the total number of respondents believe that by introducing such standards and certificates their company will not gain anything in particular. On the other hand around 72% of respondents believe that certain gains can be achieved by introducing international quality standards/certificates to their companies.

On the other hand as can be noticed from the data presented in chart 2 a vast majority of respondents believe that by increasing the quality of their products/services their companies will become more competitive on the market.

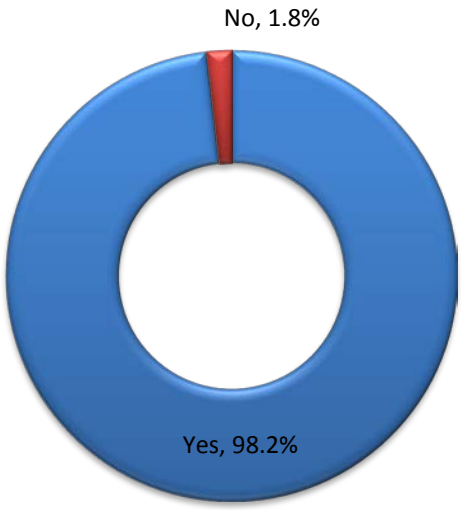


Chart 2. Level of awareness regarding the importance of quality in gaining a competitive advantage

The survey shows a relatively high degree of awareness regarding the extent to which international quality standards are implemented by SME's in the Pollog region, chart 3.

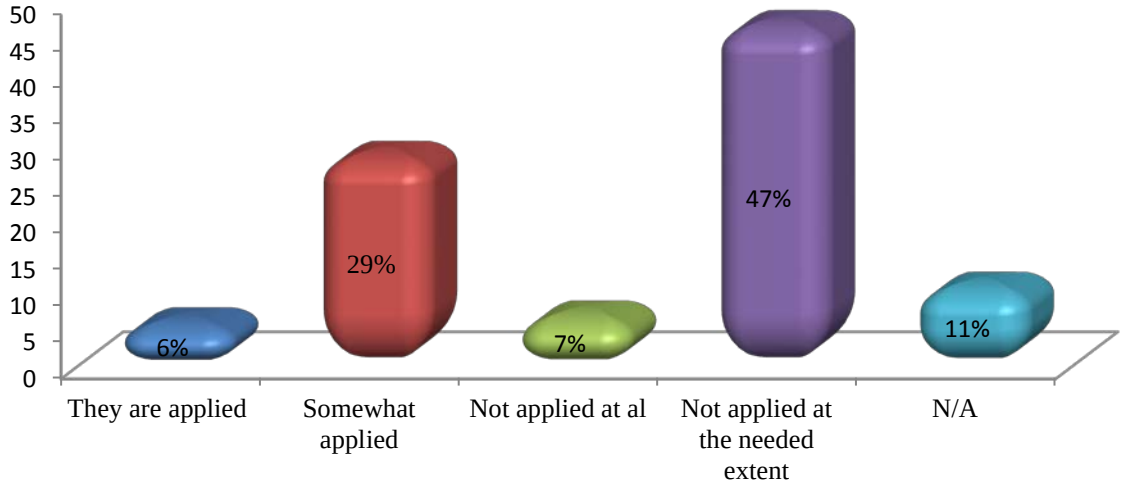


Chart 3. Extent of applying international quality standards

As can be noticed from chart 3 only a third of respondents believe that international quality standards and quality management techniques are applied in their companies. An encouraging fact is that only 7% of respondents have declared that such techniques and standards are not applied at all in their respective companies.

Although the respondents have declared that they do not apply any particular international quality standard, in fact they do apply quality management techniques during their everyday functioning.

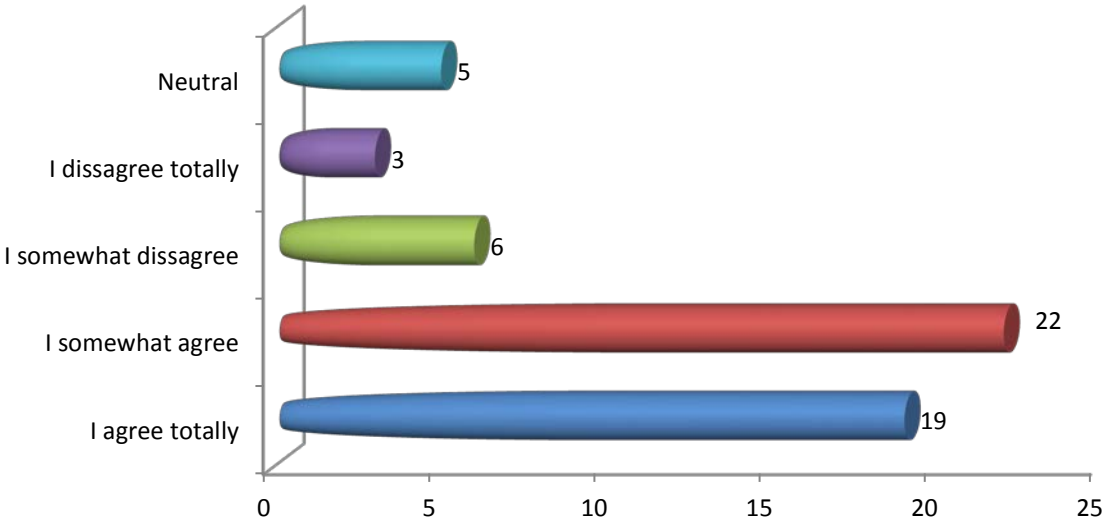


Chart 4. Extent of applying quality management techniques

As can be noticed from the data presented in chart 4, the sample is largely dominated by respondents who agree that although they do not have official quality certifications in fact their company does apply some type of quality management techniques. Almost ¾ of the total number of respondents share such an opinion as opposed to only 15% who disagree.

CONCLUSIONS AND RECOMMENDATIONS

Without a doubt quality and quality management are of crucial importance in providing the edge over competition in nowadays business environment. As the research shows although the managers in the Pollog region show a high level of awareness when it comes to the importance of quality, yet they fall behind international practice in the field. As can be noticed throughout the paper, companies in the Pollog region in most cases do not have international quality certificates, a condition that needs to be changes over time. Although a vast majority of companies do implement their own approaches in managing quality, in the future they should make more efforts to oblige to internationally accepted standards for quality assurance and management.

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