

# **Some Issues On Relations Between Quality Management / Iso Standards Application And Doing Business Climate. (A Comparative Analysis Of Balkans With Western European Countries)**

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doi: 10.19044/esj.2016.v12n7p124 [URL:http://dx.doi.org/10.19044/esj.2016.v12n7p124](http://dx.doi.org/10.19044/esj.2016.v12n7p124)

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## **Abstract**

The purpose of research: Determination of relations between quality management and doing business and giving some thoughts to improve the situation regarding the quality institutions and quality infrastructure parallel with doing business climate.

Methods: Collection of information, data and facts from primary sources, comparing the information, data and facts gathered from primary sources, conducting relevant analysis and make recommendations on this issue.

Results: Balkan countries recently have joined the international community of ISO standards as well as being part of World Bank Reports on Doing Business. These those countries for years have had multiple problems regarding quality's institutions, quality infrastructure and doing business, problems that affect the development and performance of businesses, development and economic growth, sustainable development and improving the quality of life of citizens under the framework of the Balkan's integration into the Europe and beyond.

Outcome: Improving quality's institutions, quality infrastructure and doing business climate in Balkans will have a positive impact on increasing economic growth and improving the quality of life of citizens within the Balkan's integration into the Europe and wider.

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**Keywords:** Quality management, ISO standards, quality's institutions, quality infrastructure, doing business climate

## **Doing business and global trends on doing business**

Societies need regulation, and businesses, as part of society, are no exception. Without the rules that underpin their establishment, operation and dissolution, modern businesses cannot exist. And where markets left to themselves would produce poor outcomes, well-designed regulation can

ensure outcomes that are socially optimal and likely to leave everyone better off. *Doing Business* focuses on regulations and regulatory processes involved in setting up and operating a business. It analyzes those that address asymmetries in information (such as credit market regulations), those that balance asymmetries in bargaining power (such as labor market regulations) and those that enable the provision of public goods or services (such as business or property registration).

Countless transactions are required to set up and operate a business. When starting a new business, entrepreneurs need to establish a legal entity separate from themselves to limit their liability and to allow the business to live beyond the life of its owners, a process requiring commercial registration. To operate their business, entrepreneurs may need a simple way to export and import; they may need to obtain a building permit or acquire property to expand their business; they may need to resolve a commercial dispute through the courts; and they are very likely to need an inflow of funds through credit or new equity. Regulation is at the heart of all these transactions. If well designed, regulation can facilitate these transactions and allow businesses to operate effectively; if badly designed, it can make completing these transactions difficult.

*Doing Business is a World Bank Group Report Measuring Regulatory Quality and Efficiency*, measuring the regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies of the world. *Doing Business* measures regulations affecting several areas of the life of a business, like starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

*Doing Business report of 2014, 2015 and 2016* finds that entrepreneurs in more than 100 economies saw improvements in their local regulatory framework, and between June 2014 and June 2015, on 189 economies worldwide have been documented 231 business reforms. Among reforms to reduce the complexity and cost of regulatory processes, those in the area of starting a business were the most common in 2014/15, as in the previous year. The next most common were reforms in the areas of paying taxes, getting electricity and registering property. EU countries enjoy being in top of the list, while some Balkan countries like Macedonia, etc have been listed between top 20, while some others like Albania have been listed below previous lists. (*Doing Business*, 2016).

## **Quality management and global trends on iso certificates**

Quality management is the act of overseeing all activities and tasks needed to maintain a desired level of excellence. This includes creating and implementing quality planning and assurance, as well as quality control and quality improvement. Quality management ensures that an organization, product or service is consistent. It has four main components: quality planning, quality assurance, quality control and quality improvement (Rose, 2005). Quality management is focused not only on product and service quality, but also on the means to achieve it. Quality management, therefore, uses quality assurance and control of processes as well as products to achieve more consistent quality.

Several means to achieve quality management are between doing business regulations and rules, ISO certificates included, which are focused more in quality of procedures private and public subjects follow, which at the end of the day brings higher quality of products and services (Ceko, 2013).

Because societies need regulation—and businesses, as part of society, are no exception, ISO certificates finally are part of business and trade regulations since they are the minimum requisites for characteristics of processes, products and services to be used from private and public entities / subjects to be acceptable from their clients and markets. Without these standards modern private and public entities cannot exist. And where markets left without standards they would produce poor outcomes and finally low life quality for citizens. When starting a new business, or entering in a new phase of enterprise development, entrepreneurs need to establish certain procedures and standards, allowing the business to live beyond minimum frontiers, to export and import, to participate in public procurement procedures, and finally to attract as much as possible clients, for higher profits and achieving other business objectives. Standards are the heart of all these issues, facilitating business transactions and allow businesses to operate effectively.

With 1 609 294 certificates issued worldwide in 2014, there is a slightly up on the previous year, which demonstrates a moderate growth for almost all the ISO management systems standards around the world (ISO Survey, 2014), confirming trends observed over the last two years.

This market stabilization is, however, offset by three good performers exhibiting more sustained growth. Albeit less impressive than in previous years, ISO 50001 for energy management demonstrates a 40 % growth rate, led once again by Germany, responsible for 50 % of the 6 778 certificates reported. Similarly, food management standard ISO 22000 continues to deliver reliable performance with a 14 % growth rate, while ISO 16949 for

the automotive sector shows accelerated progression with a commendable 8 %, signaling that economic recovery in the auto industry is holding up.

| Standard      | number of certificates in 2014 | number of certificates in 2013 | evolution     | evolution in % |
|---------------|--------------------------------|--------------------------------|---------------|----------------|
| ISO 9001      | 1 138 155                      | 1 126 460                      | 11 695        | 1 %            |
| ISO 14001     | 324 148                        | 301 622                        | 22 526        | 7 %            |
| ISO 50001     | 6 778                          | 4 826                          | 1 952         | 40 %           |
| ISO/IEC 27001 | 23 972                         | 22 349                         | 1 623         | 7 %            |
| ISO 22000     | 30 500                         | 26 847                         | 3 653         | 14 %           |
| ISO/TS 16949  | 57 950                         | 53 723                         | 4 227         | 8 %            |
| ISO 13485     | 27 791                         | 25 655                         | 2 136         | 8 %            |
| ISO 22301     | 1 757                          |                                |               |                |
| <b>TOTAL</b>  | <b>1 609 294</b>               | <b>1 561 482</b>               | <b>47 812</b> | <b>3 %</b>     |

Table 1. ISO Survey Executive Summary. 2014

With 1 % and 7 % respectively, ISO's flagship standards ISO 9001 (quality management) and ISO 14001 (environmental management) are gradually reaching stability although, as the cornerstones of the management system.

Big news for 2014 and 2015 is the increase of ISO 22301 certificated for business continuity issued, motivated by a global awareness that organizations need to protect themselves against disruption in times of crisis. The new recruit made a timid breakthrough with 1.700 certificates, but is thought to hold good potential for the future.

Following on last year's trend, ISO's popular quality management standard (ISO 9001) continues to experience a lull, claiming a mere 1 % share of the market. Growth has certainly stabilized since the boom times two decades ago, reflecting the current economic uncertainty in the world. Moreover, in countries with a longer-established tradition of certification, many of the largest companies are already certified and are branching out to more specific standards. The prevailing situation is expected to improve, however, as markets pick up and with the introduction of the new version of ISO 9001 (ISO 9001 : 2015).

### **Relations between iso 9001 certificates and doing business index**

As per data, facts and figures gathered by the Doing Business Reports (2014, 2015 and 2016) and ISO Executive Summary (2014) it is evident that EU western countries like United Kingdom, Germany, etc, South East countries like Austria etc, have higher doing business index and higher number of ISO 9001 certificates issued. In these countries citizens enjoy high life quality and there is no any significant dispute from business clients and public generally for quality of products and services (Life Quality Index – Germany 199.7, Austria 192.40, United Kingdom 180.25 Life Quality Rankings, 2016).

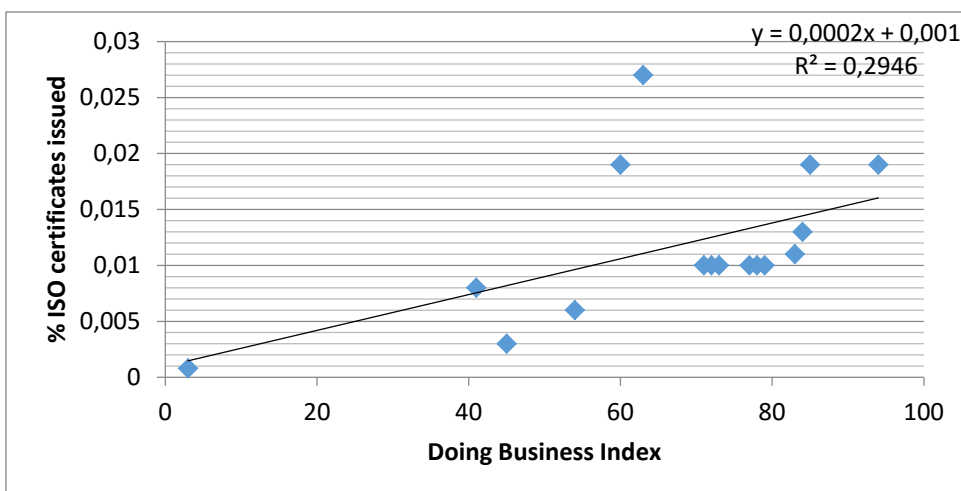
Most of Balkan countries are in middle and bottom of the list for doing business index and ISO certificates issued (Table 1 at Appendixes). In

these countries citizens enjoy a middle level of life quality and significant dispute from business clients and public generally for quality of products and services have been reported currently (Life Quality Index Romania 146.13, Bulgaria141.61, Serbia 138,26, Macedonia 115,03, etc Life Quality Rankings, 2016).

In Balkan countries, besides the fact that some improvements have been done regarding to the institutions, infrastructure and legislation of quality, there is still a lack of understanding of the situation generally in public and between authorities and as a result, poor situation regarding the quality institutions, quality infrastructure and quality legislation and regulations spreads through the business climate (Ceko, 2015).

| Country        | Doing business | ISO 9001 % Certificates |
|----------------|----------------|-------------------------|
| United Kingdom | 94             | 0.019                   |
| Germany        | 85             | 0.019                   |
| Estonia        | 84             | 0.013                   |
| Ireland        | 83             | 0.011                   |
| Austria        | 79             | 0.01                    |
| Latvia         | 78             | 0.01                    |
| Portugal       | 77             | 0.01                    |
| France         | 73             | 0.01                    |
| Netherlands    | 72             | 0.01                    |
| Slovenia       | 71             | 0.01                    |
| Romania        | 63             | 0.027                   |
| Croatia        | 60             | 0.019                   |
| Montenegro     | 54             | 0.006                   |
| Turkey         | 45             | 0.003                   |
| Serbia         | 41             | 0.008                   |
| Albania        | 3              | 0.0008                  |

Table 2. Relations between doing business and % of ISO 9001 certificates issued (Table generated by the author of the article using figures from primary resources)



Graphic 1. Relations between doing business and % of ISO 9001 certificates issued (Graphic generated by the author of the article using figures from primary resources)

## Conclusion and recommendations

1. There are strong relations between quality management / ISO standards and doing business climate.
2. Improving quality management system / respecting ISO standards parallel with doing business regulations and doing business climate improves life quality of citizens.
3. Balkan countries, recently joined the international community of ISO standards and being part of World Bank Reports on Doing Business, for years have had multiple problems regarding quality's institutions, quality infrastructure and doing business.
4. Balkan countries recently are facing problems that affect the development and performance of businesses, development and economic growth, sustainable development.
5. Improving quality's institutions, quality infrastructure and doing business climate in Balkans will have a positive impact on increasing economic growth and improving the quality of life of citizens within the Balkan's integration into the Europe and wider.

## Appendixes

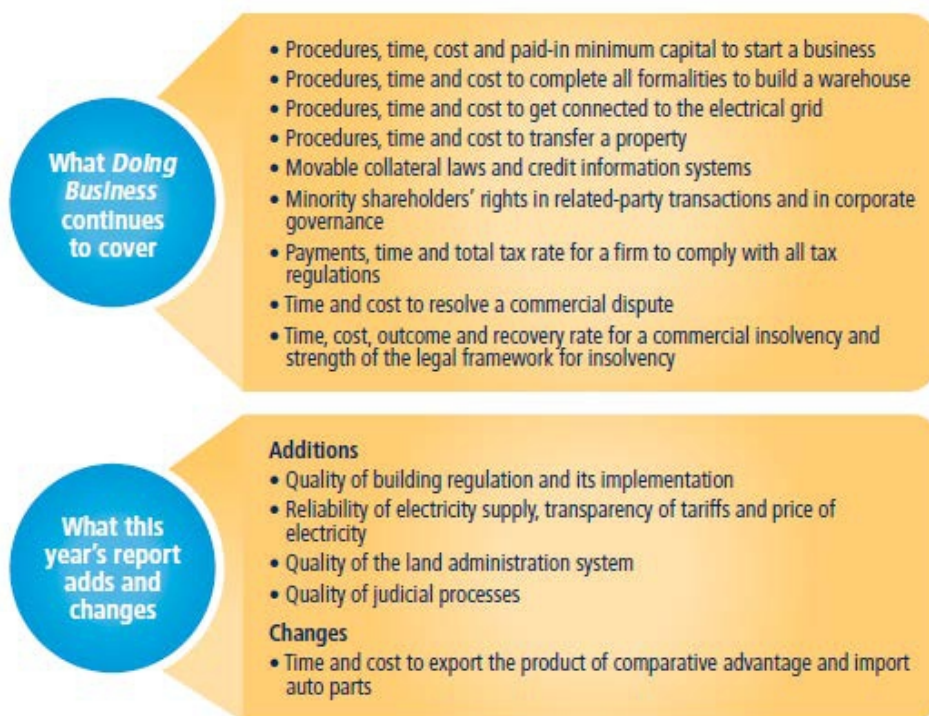
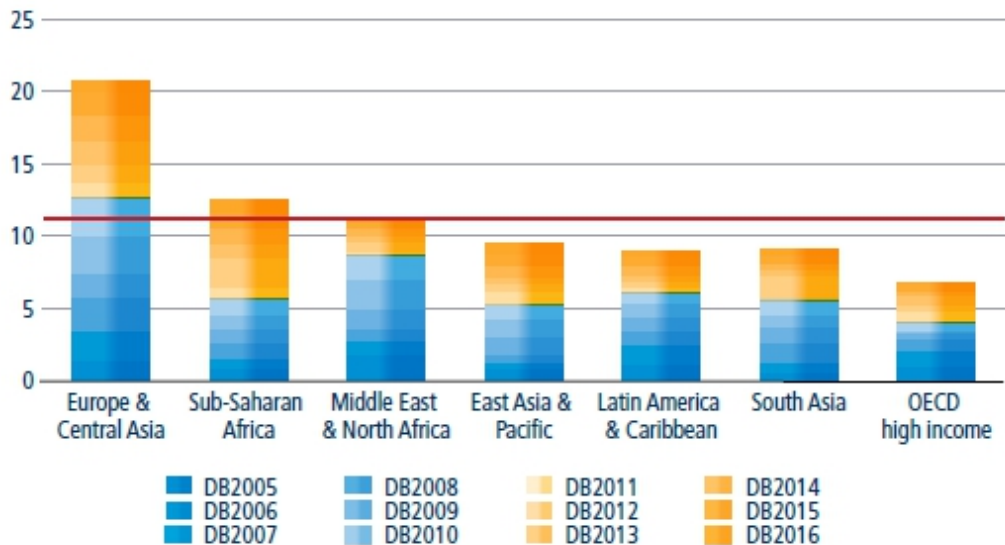


Figure 1. What Doing Business continues to cover and what it is adding and changing at the 2016 Report (<http://www.doingbusiness.org/reports/global-reports/2016>)

Average year-on-year improvement in distance to frontier score



Graph 2. Improvement in business regulation over time (Europe and Central Asia has made a substantially bigger improvement than any other region)  
 (http://www.doingbusiness.org/reports/global-reports/ 2016)

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