

## THE IMPLEMENTATION OF THE QUALITY MANAGEMENT SYSTEMS IN SMALL AND MEDIUM-SIZED ENTERPRISE SECTOR IN POLAND.

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### SUMMARY

*The article presents the implementation of the quality management systems in the Small and Medium-sized Enterprises in Poland. It presents an exemplary way of the quality management system implementation and the benefits from introducing the system for an SME enterprise. It mentions the most common problems, that affect an efficient implementation and functioning of the quality management systems in enterprises.*

*Researches method application in the article are: analysis and critics literature and observation. The article gives case study an implementation the quality management system in small company. The firm applied to the European Union and got the subsidy on the implementation of the quality management system ISO 9001:2000, which took place in 2006. The system was certificated and it operates in the enterprise. The article is a critical analysis of the implementation process and shows how the system works in the company after four year.*

**Keywords:** European Union funds, implementation, ISO 9001, Small and Medium-sized Enterprise (SME), quality management system (QMS)

### 1. INTRODUCTION

Entrepreneurship in Poland have started develop in the 90s of the 20th century, after political transformation. In the beginning in Poland there were a lot of barriers for persons who wanted run their own business. The most important were: a high inflation and political and economic instability. However, some limitations exist in the business today, building a market economy gradually dislodge barriers. In 1993 there were about 1.995 300 enterprises in Poland. Now, despite the difficulties is 3 742 673 SMEs<sup>1</sup> (data for 2009), this number may seem very large, but when we look at it more cerfully it turns out that only a half of them are really well [6]. As a number of enterprises in Poland was growing in the same time increase a SMEs participation in the creation of the Polish GDP from 30% to almost 50% in 2009 (46,9%) and also employment. Today, in SMEs there are hire over 6,6 mln people [11].

Table 1. The number of enterprises in Poland, 2003 – 2009 [6],

year	2003	2004	2005	2006	2007	2008	2009
Total	3 581 600	3 576 800	3 615 621	3 636 039	3 687 039	3 757 093	3 737 789
SMEs	3 576 500	3 572 000	3 610 800	3 631 364	3 680 253	3 752 293	3 742 673

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<sup>1</sup> SME: below 250 employee and annual turnover below 50 mln euro or total assets below 43 mln euro

One of the most important events for the Polish SMEs was accession to the European Union (EU) in 2004. It created new perspectives and opportunities in business, the most important were: possibility of easier access to large European market and the possibility of using EU funding. But it also required some changes in business one of them was improvement a quality of products and services.

## **2. BENEFITS FOR THE IMPLEMENTATION OF QUALITY MANAGEMENT SYSTEM IN SME**

The certification QMS can provide greater benefits to SME than a large company. The products of large companies do not really need to confirm their quality, because there are usually well known on the market. Large and famous companies use their logo as a quality certificate [10]. For SME certification is an opportunity to prove the high quality of their product or service. Thanks to certification increases consumer confidence to the company. This document makes SME position more stable and their products more reliable for the costumers [10]. Certificate give the company greater potential for trade. The company may easier enter to new markets or the certificate is require to participate in certain auctions. It also allow start cooperation with foregin companies and gives a better position in bussiness negotiations. The quality certificate also gives the company an additional possibility of marketing and PR [7].

Thanks to the process of implementation the company have an oportunity better know itself. Careful analysis all processes in the organization could identify weak elements, introduce activites to prevent the potencial problems and improve the effectiveness of the whole enterprise. Moreover, this gives real gains for the company. In the process, there are very often overlapping or unnecessarily activities. When we identify it and eliminate double elements, it saves time and increases productivity [1]. The important thing is also prevention. They will not deliver measurable business income, but can prevent it from incurring significant costs in the future[1].

The implementation of ISO quality management system is an opportunity to organize personnel matters by defining the duties and responsibilities. This is very important for the further development of the company. QMS makes employees better understand the nature of business. Thanks to it company policy and objectives are clearly defined and communicated for staff, employees are able to define the strategy and direction for the company development. It makes easier for them to be identified with the company and its product. So employees can easier manage time, more effective and better planning their tasks. In SME, some times there are not define a specific responsibility for every person, employees could feel a bit lost, they often do not really know what they should do, because "everyone does everything, and are responsible for everything". It quickly creates a situation where some workers are overloaded, while others do not fully use their time. Separation of liability also prevent a situation where for the bad quality of the product or service that buy the customer are not any responsible person. The specification of responsibility makes people more involved in their work. It also helps to detect the cause of error and improve the quality [1]. A well-functioning QMS can greatly facilitate recruitment and training process [1].

A well-designed QMS can assist in the processes of traditional resources management as well as knowledge management in enterprises. QMS also provide better identification customer needs, it pay attention to measuring customer satisfaction, especially developing products and services according to customers needs. By monitoring customer needs products are constantly improved, and therefore the quality is conducive to innovation.

Implementation of the system is always associated with additional expenditure instead of long-term investment. If the system is functioning correctly, the costs in some areas will grow, but in others will be drastically reduced, which should lead to globally reduce [9].

### **3. THE MOST COMMON ERRORS IN THE PROCESS OF IMPLEMENTATION AND BARRIERS IN FUNCTIONING QMS IN SME**

During the QMS implementation there are many potential errors which may be done. Some of them can not have a large influence on the system, but the serious errors can disturb functioning of the QMS or significantly reduce its effectiveness. A common mistake is a lack of involvement of the top management. This caused in the long-term the lack of involvement of workers and thus the system exists only on paper. Moreover, the problem may be also wrong interpretation of the QMS as a quality control system for products, which makes managers feel disappointed and discouraged, when the lack of production still exists. The QMS should not and can not be regarded as a solution to all quality problems in the company.

Another problem which appears especially in SMEs is that executives of SMEs looking for cost savings and often for the QMS is responsible for an improper person, somebody who never had dealt with the problems of quality and management. Employees without a theoretical basis for an adequate education, getting to the implementation of the system often can not cope with this problem. This person must have the necessary knowledge of organization and management and company management must pay attention to his competence and knowledge in this area [8].

It is important to create a QMS to link it to practice. If the documentation will not be established on the basis of activities that really take place at the company the quality management system will not function properly. Procedures and instructions should be developed in consultation with the person who works for a specific position, otherwise the procedure may be not accurate. Creating too much documentation or treatment of documents as "the heart of the system" is also a common error. The creation of an excessive number of documents often leads to the fact that some of them are not used or filled only when the "threat" of the audit. This situation may lead to the fact that workers do not know which documents are important and how to use them. In results they consider all documentation related to ISO standards as pointless.

The important problem is also time. We often forget during an implementation that employees must first consult with all regulations and documents appearing in the company. Date of the document may not coincide with the date of application. Provide an appropriate amount of time is important both in creating a system in its implementation and the introduction of corrective and preventive actions. Implementation of the system usually lasts from 4 to 14 months, depending on company size and activity. Between the start of operation of the system in the company (after implementation), and the certification must pass at least 3 months. We can also get in trouble from employees. The natural human instinct is fear of the unknown. Of course employee should be involved in creating the system, but some times in SMEs may employees are overworked and have no time for "additional responsibilities". Forcing them to trigger additional actions in their frustration. This problem probably indicates poor organization of work in the company or significant staffing shortages. Moment of implementing quality management system is good to analyze the problem and solve it.

A great problem for SMEs are high costs connected with design, implementation and certification. This problem was partly solved by grants from EU, but it creates completely new problems in the area of implementation of a quality system. On the Polish market they are started to appear a lot of new consulting firms that offer this type of activity. Increase in the number of companies offering the same services, forcing them to reduce prices, however, together with

the reduction in prices also decreased the quality of services. Of course, this phenomenon should not be generalized to all consulting firms, however, appeared on the market offering cheap and "speedy" implementation of the system. "ISO in 2 months". Some times consultants write a universal documentation system, suited to each company. These types of solutions rarely have the opportunity to function properly in the company. The quality management system to function well must be individually tailored to the specifics of each company and its needs. Another problem is that the grant applied for lot of companies that do not really need a quality management system or are not prepared for its implementation, because of money. It also worth to considered that since 2003 in Polish, you can find the phenomenon of the existence of two parallel „implementation“ of the markets without subsidies, where prices are lower and with the subsidy (and higher prices). This leads to a situation in which many consulting firms offering consists of two clients: the subsidy and no subsidy. The implementation with subsidiary is about 30 percent higher than market prices.

#### 4. CASE STUDY: IMPLEMENTATION ISO 9001:2000

##### 4.1. Background

The enterprise is small consulting company, its main area of activity are advice on European funds for companies and institutions, graphic design (traditional materials for example business cards as well as design for new media especially the Internet). It was founded in June 2004 in Rzeszow (Poland). Currently, the company headquarters is located in Krakow (Poland). The company costumers are: companies, associations, nonprofit institutions, public institutions, universities, schools and many other institutions. Customer management in the enterprise is based on CRM system.

##### 4.2. The implementation quality management system in the company

The project to implement a QMS in the company was to be associated with the planned implementation of information security management system and development of the Internet Service Center and CRM implementation (new version). The implementation a quality management system was a part a large project, which had a two main part: investment in new technologies and advisory projects (purchase consulting services, leading to design and implement a quality management system), so that the project made a meaningful whole. In a separate project th company planned purchase of an investment company certification audit. Funding for two projects assumed company's financial participation in total investment. Part of the investment associated with the development of information infrastructure was financed from the profits, and some of the structural funds (EU).

*Table 2. Funding for the project in EUR, company expenditure spent on consultancy services*

Operation	Eligible costs	Total costs
Advice on assessment of the organization in relation to the requirements of ISO 9001	950	1 159
Advice on the organization of work associated with designing and implementing a quality management system	475	579,5
Advice on the development of procedures and records of the quality management system	1 425	1 738,5
Advice on the development of quality management books	950	1 159
Advice on the implementation of quality management system documentation	475	579,5
Advice on conducting and documenting internal audits, management review	475	579,5
<b>Total</b>	<b>4 750</b>	<b>5 795</b>

*Sources: Interior Materials*

The main objectives of the project were:

- improve and influence the more effective functioning of an organization,
- improvement of management and work organization,
- increase employee awareness about quality,
- reducing the amount of complaints,
- hiring new employees on positions affecting on the quality of services,
- define the positions of employees and their responsibilities,
- improvement skills of workers in the field of quality management
- improvement relationships with customers based on loyalty trough development of IT infrastructure and implementing a CRM system.

Due to the fact that none of the workers had no experience in implementing such systems, it was decided to employ an external consultant, who participated in all activities and the development documentation certifying audicie.

#### **4.3. The implementation quality management system in the company**

The management of th company had a positivr opinion about the implementation of quality management systems. According to the opinion of management the company achieved the following goals:

- arranged activities and internal management processes,
- reduced costs of operation by improving management and control systems,
- improved internal communication,
- developed and improved the flow of documentation,
- increased customer satisfaction,
- improved corporate image marketing,
- improved realibility,
- definition of processes,
- shorter duration of customer orders, improved efficiency of customer service.

According to the employees the implementation was not too perfect as in opinion of management. The more important errors were:

- lack of involved by top management,
- choosing the wrong moment for the implementation of quality management system to the company – during move and office reorganization,
- too low coordination capacity of consultant, which was good science, but she/he could not properly delegate tasks and was overloaded with work,
- implementation under time pressure (time schedule)
- too general training, workers were not familiar with the essential and principles of quality management system ISO 9001:2000
- rise to too many forms - not all forms are useful.

The system was successfully certified and has received ISO 9001:2000 certificate issued 21.11.2006 for consultancy services for companies and institutions.

#### **4.4. Long term effect**

QMS was recertificated three times (according to funding contract the company was obligated to have certified system after three years to implementation). Unfortunetlly, in 2011 the company has not a certify quality management system. The main reasons was: too expensive certify and too many inadequate procedurs (unnecessary documents and a lot of

paper work connected with this). The system also was not so important to create of image of the company at the management seems.

However a part of forms which was created during a implementation still is used, especially forms connected with customers. The positive aspect is also changing human resources documentation. After the implementation each employee has their responsibilities as a part of their contract.

## 6. CONCLUSIONS

QMS implementation is always a difficult process. It is additionally complicated if the company use a external co-funding, for example EU funds. Additionally to the "typical" problems and barriers in this case is the problem of time pressure and properly results. So the quality management system is very often implemented too quickly and it happens that more errors are made. There is no time to establish system before a certification. Another problem is schedule, objective and effect. There are strictly the same as on the application form and every modification is problematic. The practice says that is impossible forecast everything before started implementation so in real in the company there are two version of process the real one and the second one for "paper" it create unnecessary work and sometimes discourage dome employees. But for some company co-funding this type of activity is only one way to try achieve better management trough the quality, enter to new market and in result survive in high competitive environment of global world.

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