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MANAGEMENT SYSTEMS AS ORGANIZATIONS COMPETITIVE ADVANTAGE

The implementation and subsequent certification of management systems provides an organization with a competitive advantage over organizations operating in the same market segment, which have implemented management systems. The advantage of a well-established and maintained management system is that the activities and processes in an organization do not occur randomly and uncontrollably, but in accordance with the requirements of ISO standards which means that the company is able to deliver products and services according to customer requirements. Among the main benefits resulting from certification of management systems are the improvement of product quality, the organization's image and its market position against competitors. Other benefits arising from the certification of an established management system is the increase of awareness about product quality, improvement of the employees' attitudes and supplier-customer relations. Certification should demonstrate that the company is dealing with management systems and can meet customer requirements. To achieve competitiveness, enterprises must monitor not only the development of their business results, but also the extent of customer satisfaction and meeting their needs.

Keywords: quality; product; management systems; environmental management systems; competitiveness; certification

Introduction

Reasons that lead an organization to be inclined towards management systems are various. This may be caused by the approach of customers or competition, the effort to differentiate itself from competitors on the market or it is an effort to improve the efficiency of the organization. Among other reasons are: to improve customer satisfaction, to obtain a certificate of the management system as a marketing tool, also to increase the quality of products. The requirements for the quality limit for products and services are increasing continuously. Therefore each company strives to find a way to improve its business processes and to differentiate itself from other competitors.

In order to fulfill all the requirements on organizations and to ensure sustainable development, organizations implement international standards ISO in their processes and introduce management systems as well as apply for their certification. The acquired certificate provides credibility to the organization, helps to build long-term relationships with customers and ensures a competitive advantage. An implemented and subsequently certified management system delivers an increase of the level of product quality and services, it also increases the effectivity of manufacturing and supporting processes.

By implementing management systems the organization achieves savings by reducing costs of poor quality and controlling processes. Negative events may be avoided by monitoring and evaluating the individual indicators which will enable the management of the organization to reduce weaknesses, focus on their strengths and competitive strategy. The established quality management system, environmental management system, or other management system implemented according to ISO stand-

ards represent an effective tool for the organization, which helps to identify the expectations and requirements of its customers.

Objectives and methods

The aim of this paper is to analyze the state of management systems as a competitive advantage of an organization which has implemented and then certified a management system according to ISO standards. Established management systems and their mutual integration can be a source of competitive advantage or a tool to differentiate itself from competitors. The design and implementation of management systems depends on the specific objectives that the company wants to achieve, offered products or services, used activities and processes as well as the size and structure of the company. Successful implementation of the management system should bring a significant number of benefits to the organization.

The article was developed based on bibliographic searches and systematization of knowledge in order to create a theoretical basis, explore the importance of certification of management systems as a competitive advantage and interpret the different views of various experts. Secondary analyzed data were obtained from the professional and academic library and journal literature. The next step was the comparison of different theoretical approaches, assessment and evaluation of the overall issue of certification of management systems.

In a competitive environment the need to differentiate itself is growing. One of the strategies of differentiation of the organization is to obtain certification according to ISO standards, which may help the organization to succeed in the competitive environment on domestic and international markets. Certification according to ISO standards is no longer the prerogative only of large companies, it is now becoming increasingly desirable also for small and medium-sized enterprises. The certification is part of the marketing strategy of the organization, which confirms the focus on quality and customer satisfaction and environmental requirements of the organization.

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1. Management systems and their competitive advantage

Several scientific publications show that established management systems, or their mutual integration has a fundamental impact on the operational results of the organization. These include the growth of the market share, efficient use of resources, harmonization of processes, increasing competitiveness, continuous improvement of individual processes and activities of the organization.

Established management systems should ensure the effectiveness of individual processes in the organization, increase productivity and allow easier entry into new markets. The benefits that the certification of management system brings are based on the capability of the organization to fulfil the requirements of all stakeholders. Organizations that want to differ from their competitors must realize that satisfaction of customer needs not only includes providing specific products and services, but also a full reproductive cycle, i.e. all processes within the organization. This is reflected by indicators such as costs of the organization for poor quality and claims, flexibility and timeliness of deliveries and others.

In order to keep the business competitive, the organization must be focused on good business results. In most cases the financial results are considered as good business results, for example; profits, earnings, liquidity, solvency etc.. The organization must satisfy the requirements of customers to achieve sustainable financial results.

The main goal of all businesses that are interested in introducing management systems or their mutual integration is to maximize the satisfaction of their customers. This can be achieved by providing high-quality and reliable products, eliminating the impacts of business activities on the environment, protecting the safety of employees, encouraging a positive approach of employees to improve quality, the environment and the occupational health and safety.

In literature it is mentioned that the development of management systems and their integration into a single system is becoming an important factor in the competitiveness of businesses. Management systems should focus not only on internal operations, but should also be interested in the environment, clients and a growing number of other stakeholders [1]. Management systems are put into practice according to following standards that can be integrated with each other.

ISO 9001 Quality Management Systems. Requirements This standard establishes the requirements for a quality management system that an organizations may use in order to satisfy the customer's needs and requirements of relevant legislation, supports the acceptance of a process approach when developing, implementing and improving the effectiveness of the quality management system. It may be used by internal and external organizations, in-

cluding certification bodies. Standard ISO 9001 is currently under review, the new one should be issued in September 2015. It touches all organizations that have implemented quality management systems according to ISO 9001: 2008 and certification bodies as well. Firstly, it is necessary that the organization defines an action plan for the transition to the new standard, if necessary to cooperate with the certification authority in defining the action plan. It is also necessary to identify differences that need to be solved for the fulfillment of the new requirements and to inform all stakeholders. Finally, it is necessary to update the existing quality management system to meet the revised requirements [2].

ISO 14001: 2004 Environmental Management Systems. Requirements with guidance for use. It specifies the requirements for environmental management systems in order to be applicable for organizations of all types and sizes. It does not establish absolute requirements for the environmental behaviour of organizations, apart from the obligation to comply with relevant legislation and regulations and to improve constantly. The main internal motive of the organization is a business strategy based on active approach to environmental protection and conviction of the management about the importance of dealing with environmental issues. Interest of the organization in an active approach to environmentally friendly activities can be a source of competitive advantage. Some authors emphasize the importance of human resources in organizations, in particular the positive attitude of management and employees to environmental problems, which is a strong internal aspect of the introduction of an environmental management system.

Standard ISO 14001 is in parallel with ISO 9001 under review. The changes are based on the results of a questionnaire survey conducted by ISO / TC 207 / SC1 in 110 countries which has received more than 500 responses. The draft of the standard ISO / FDIS 14001: 2015 focuses on:

- increasing the importance of environmental management in the strategic management of organizations,
- implementation of the principles of leadership in environmental management processes,
- emphasis on a proactive approach to environmental protection,
- shifting from improving the management system to improving environmental impacts,
- extending the scope of environmental aspects by the life cycle of products and services.

The new structure of the standard is in line with the new framework for creating ISO standards, it also draws on Annex SL guidance for developing ISO standards for management systems, which will allow easier integration with other standards on management systems. The new revised standard will be released in September 2015 and the transition period will last until September 2018. Certifications

according to ISO 9001: 2008 issued during the transitional period shall not be valid afterwards [3].

The standard *OHSAS 18001: 2008 Occupational Health and Safety Management Systems - Requirements* requires identification of hazards, risk assessment and the implementation of necessary control measures. Risk control should at least lead the organization to a level of behavior that is required by law. In addition, the organization sets goals and programs for improving results in health and safety at work and eliminating the risk where possible. The operative procedures and activities relating to the identification of risks are subject to operational management.

In 2016, a new edition of ISO 45001 is being prepared to replace the standard OHSAS 18001: 2007. Although the envisaged amendment is very important from a certain perspective, practical implications for the organization may not be as significant. The standard OHSAS 18001: 2007 was already based on risk assessment and the persons working under the direction of the organization were involved in the occupational health and safety management system. This change will probably affect organizations where the occupational health and safety management system was kept formal. Implementation of the new international standard ISO 45001 to practice has the potential to save lives, reduce accidents at work and occupational diseases and improve the morale of employees. ISO 45001 may be a benefit for organizations that have an interest in effective security risk management covering all aspects of daily operations. And for organizations that have established several management systems the implication of simplifying the interconnections of these systems will also be significant - duplication of certain activities will be avoided which may be convenient in case of multiple systems and the synergy effect of integration will be accomplished[3].

In general, among the most famous and most frequent management systems are in fact the quality management system and environmental management system. The mentioned systems can also be integrated with other management systems that relate to food safety, information technology, the requirements for the production of automobiles and their spare parts and other management systems. The main objective of management system implementation in the organization is: [4.]

- evidence that the company is able to satisfy current and future customer needs,
- improve performance, efficiency and productivity,
- achieve and maintain the expected quality of products,
- continuous improvement of processes of the organization which are focused on the organization's objectives.
- customer satisfaction,
- confidence of the management,

- management system certification as a competitive advantage.

The reasons for implementing management systems in organizations are different. This may be caused by the approach of customers, effort of the organization to differentiate itself from competitors in the market or to improve the efficiency of the organization. Among other reasons are: improved customer satisfaction, obtaining a certificate for one of the management systems as a marketing tool, but also increasing the quality of products. In the market of business entities operating in the competitive environment in Slovakia the management system implementation is an initiative of the management, which seeks to maintain existing permanent and potential customers. When developing a management system the organization monitors the following:

- *internal objectives* that are associated with increasing efficiency, transparency of processes, increasing employee motivation etc.,
- *external objectives* linked to improving the competitive situation, market position, satisfying customer requirements.

The main task of management systems is a systematic approach to streamlining the processes of the organization using tested methods by which organizations can easily meet predefined objectives. To achieve competitiveness, organizations must monitor not only the development of their business results, but also the extent of customer satisfaction and meeting their needs. For this reason management systems appear as a very effective tool for the control and sustainability of business, each split by its key area.

A competitive advantage is the position which a company gains against competitors through the method of using its exceptional competences and decisions on products and markets. Certification of management systems provides the organization with such a competitive advantage over organizations operating in the same market segment that are not certified. In particular due to the fact that the organization has managed the processes, controls the management tools, has emergency plans for unexpected situations, employees of the organization are motivated and identify themselves with the policy and objectives of the organization. The advantage of a well-established and maintained management system is the fact that the activities and processes in an organization do not occur randomly and uncontrollably, but are based on standard procedures, ensuring interoperability of all the components involved in the process. Competition analysis consists of the following steps: [5]

- identification of the competitor,
- identification of the competitors' objectives,
- identification of the competitors' strategies,

- assessment of the strengths and weaknesses of competitors,
- estimation of the typical reactions of competition.

The organization defines a general idea, the goal what it aims to achieve in the future. Some organizations have defined a vision based on the establishment of management systems. Unlike the mission, a vision is focused on the future, the long-term strategy. Defining the vision of the organization is based on: [6]

- *range of competitive advantage* - we distinguish between customer, product and geographic area. Each group is divided into two dimensions: narrow and wide,

- *positioning* as a source of competitive advantage. The values that the enterprise offers to customers represent the positional advantage of the organization which must make the decision about the areas to compete in, define the particular area and decide the criteria based on which customers will buy their products. The organization has a choice of two strategies, i.e. the strategy of differentiation and low cost.

The organization must decide to which customers the product will be offered and aim its marketing strategy accordingly. Segmentation is a tool that allows to create a structure of the market [7]. The aim of segmentation is to find customers who want to pay and buy products that meet their requirements.

Although there is a presumption that the positive effects of compliance with all mandatory requirements of ISO standards will be perceived by all the organizations that are successful in the implementation process, long-term and persisting benefits can be observed only by those organizations that will have a desire to constantly improve their management system and will not be satisfied only with the possession of the certificate according to ISO standards.

The mission of the organization, that determines its nature, identity, and usually presents the meaning of its existence, the relationship with other entities, established ISO standards and values the company recognizes in long-term, is part of its marketing strategy [8]. After defining the mission and vision of the organization the management decides which segment the marketing strategy is oriented at. The organization defines the nature of its products and their difference from the competition. To maintain a competitive advantage the organization must be constantly active in a competitive market.

The basic factors of successful marketing strategies also apply to organizations that have implemented ISO standards, such as *ISO 9001: 2008 Quality management systems. Requirements* and *ISO 14001: 2004 Environmental Management Systems. Requirements with guidance for use*, *OHSAS 18001: 2008 Occupational Health and Safety Management*

Systems - Requirements and other ISO standards. The implementation of management systems according to ISO standards is among the organization's voluntary activities and is an important factor in competitiveness. One of the final stages in the development of management systems according to the requirements of international standards ISO is certification. By attaining the certification an organization becomes more credible not only to consumers but also business partners and the public.

The strategy is not just about a one-time hunt for a sustainable competitive advantage, but a constant monitoring of the environment, customers and competition in order to take the right steps in a dynamically changing competitive market. Quality management and environmental management systems, occupational health and safety and other management systems relate to every part of the marketing strategy and interconnect their mutual relations to one consistent system.

2. Certification of management systems

The European Union focuses its quality policy on eliminating differences between small and medium sized organizations. The growing number of these organizations enforced the necessity of management system implementation and their certification. From a macroeconomic point of view certification of management systems supports export and growth of world trade. Use of management system certification in relation to other countries can serve as a means of protecting domestic producers, eventually the domestic market. Organizations in possession of the certificate according to ISO standards use it also for marketing purposes. With increasing globalization of markets it is more difficult for companies to gain their position because markets are oversaturated. For small and medium-sized organizations, it is difficult to compete in foreign markets. By certification of management systems the certified organization has the opportunity to increase product sales, by achieving effects such as lower cost, higher quality products or services [9].

Certificates for management systems are issued by accredited organizations based on a standardized procedure. The accreditation is an activity of the responsible body that issues the certificate of competence to perform the certified activities. It is voluntary and is not subject to any restrictive conditions. To be authorized to issue certificates the organizations must be accredited by the national accreditation body. In Slovakia, this authority is the Slovak National Accreditation Service, which issues accreditation for organizations performing certification.

Certification is not only important to verify that the requirements of the standard are met, but also has a macroeconomic dimension in terms of ensuring the effectiveness and stability of the national economy, since certification is among the direct instruments of state intervention and is also a

prerequisite for entry into market. It is also a means of differentiating the product on the market.

The benefits of certification can usually be divided into two groups. These are intangible and financial benefits. Intangible benefits, as also their name suggests, cannot be quantified and can be expressed only in a descriptive way. In particular, they are represented by the benefits of improving the company's image, positive attitude of workers, more favorable supply and customer sales conditions, etc.

Quality management system certification according to ISO 9001 can be ranked among the strengths of the organization, which in turn could create potential opportunities and eliminate risks in the market (e.g. entry of a new competitor). For the organization's strategy complexity and consistency is essential, what is highlighted also by the standards ISO 9001: 2008 and ISO 14001: 2004.

Singhal [10] considers certification of quality management systems as an important factor that influences consumers when buying products because customers have more confidence in organizations that have implemented quality management system according to *ISO 9001: 2008 Quality management systems. Requirements*. On the other hand customers consider the certification of quality management systems as the proof of product quality and compliance with their requirements.

Heras-Saizarbitoria [11] consider the establishment and certification of environmental management system according to ISO 14001: 2004 as a positive organization's approach to protecting the environment and improving the effectiveness of performed activities. Organizations approach the certification of the environmental management system on the basis of internal and external motivation. Organizations achieve the greatest benefits resulting from the implementation of an environmental management system such as goodwill, higher competitiveness, better approach to the problems of the environment, compliance with legislation etc.

Psomasa, Fotopoulos Kafetzopoulos [12] investigated the motivation in 53 Greek organizations, which have been certified according to *ISO 14001 Environmental Management Systems. Requirements with guidance for use*, and concluded that the most important internal factors are environmental friendliness and commitment of middle and top management to protection of the environment with respect to the requirements of ISO 14001. Among external motivations they mentioned gaining a competitive advantage and the requirements of organizations.

Organizations where internal factors are dominant, particularly an active interest of the management in environmental protection, achieve greater benefits from the implementation of the management system and are more satisfied with the system itself. Reasons for the introduction of management systems in the organization are derived both from the advantages achieved and satisfaction with the

implementation of ISO standards. Internal and external motives lead to different benefits for each certified organization, regardless of the company's size or business sector.

The process of preparing organizations for certification consists of several steps, the sequence of which must be followed. Firstly, it is necessary that the organization has chosen the certification organization that will assess its established system of management. When choosing a certification organization it is necessary to ascertain whether the institution is able to implement this action, and whether the certificate will be accepted by customers. Next, there is the mutual communication between the companies and the exchange of necessary information. The organization being certified discloses information about its size, organizational structure, the extent of the quality management system and its readiness for the certification process. The certifying organization informs its customer about the method of the certification process and the overall conduct of the process. After the conclusion of the contract the certification process can be performed.

In a globalized business environment, many organizations when trying to distinguish themselves from competitors search for opportunities to offer customers an added value. The implementation of management systems and their subsequent certification can bring competitive advantage. Also, consumers have much more available information when comparing competing offers and they carefully choose the best one from among them. Production quality not only affects the marketability of products, but also the efficiency of production. Losses from defective production may constitute durable items that often amount to several percent. Quality of products and services should penetrate through all activities of the organization as its integral component because it affects the quality of life of every society [8].

The organization develops one or more management systems which is applicable to its business and adapts it to its needs. Given that the main aim of a management system is meeting the needs of customers, which constantly change together with the development of market, it is important that the organization adapts its established management system to the evolving market conditions and competition and understand it as a dynamic system. An established management system in an organization focused on product quality, environmental requirements and processes influences the competitive advantage.

The aim of implementing management systems is to increase customer satisfaction through the effective application of the system. For the organization it means continuous improvement of processes, guarantee of adaptation to customers and market requirements. Benefits of an implemented and subsequently certified management system are:

External benefits:

- *competitive advantage* - certification is often a requirement for certain suppliers or customers. The organization benefits if it has implemented and certified a management system, and its competitor hasn't,

- *improvement of the perceived quality* - the introduction of ISO standards and their subsequent certification is a visible sign of the reliability of the organization and its commitment to product quality,

- *increase in demand* - organizations that have implemented management systems know that their success depends on customers and suppliers and will try to satisfy the stakeholders.

Internal benefits:

- *improvement of documentation* - an implemented management system including processes, procedures and responsibilities of employees must be fully documented,

- *raising awareness of the personnel about quality* - as a part of the audit and certification process, the company must evaluate how the employees perform their jobs and what is the interaction between the various functions. If involved in the audit, employees will also be included in the quality program and very likely they will support it more.

- *internal communication* - if employees are part of the management system, there is a greater opportunity for a favorable two-way communication,

- *increase of efficiency and productivity* - the organization uses techniques of continuous improvement, it is more flexible.

Although obtaining a certificate does not immediately implicate maximum product quality, the organization can use it to declare publicly that all activities and processes comply with the requirements of ISO standards and that the customers will be satisfied with the quality of products. The certificate gives the organization an opportunity to enter into foreign markets.

Certification should demonstrate that the company is operating with a management system that meets the requirements of the standard, which means that the company is able to deliver products and services according to customer requirements. Finally, it should be stressed that granting the certificate should not represent the ultimate goal of the organization's endeavours, but a formal confirmation of its qualification. Although there is a certain threat of repeated audits, the percentage of registered

cases of revoked certificates is worldwide only around 1.5%, which also includes organizational changes.

Management systems built on procedural principles were, mainly in European Union countries, promoted to the fundamental element of existence and prosperity of manufacturers and have become a critical factor in achieving competitiveness in the global market. The International Organization for Standardization, which publishes the ISO standards as an independent organization, is not authorized to issue ISO certificates. This is the role of certification bodies in individual countries.

Conclusion

The impact of globalization and technological development forces organizations to seek new sources of competitive advantage and to maintain its market position. The competitiveness and success of the organization are determined by production quality, productivity and flexibility to react to market changes. As a consequence, organizations strive to maximize the speed of all processes and minimize losses incurred especially due to poor quality costs and complaints. For these reasons, the organization establishes management systems as effective tools for ensuring quality, safety requirements, requirements to support sustainable development with a focus on the environment, compliance with legislation and other requirements. Quality becomes an important criterion when evaluating suppliers. Organizations that can demonstrate the ability to provide long-term quality products and management quality of all the organization's processes gain a competitive advantage. The means by which it is declared that the organization is focused on providing and achieving quality in all processes and that quality is part of the long-term strategy, is the certificate of the management system. In the Slovak economy, where the existence of small and medium-sized enterprises prevails, the competitiveness of the organization is determined by the quality of production with regard to affordability. Thus organizations that are capable of achieving quality at the lowest cost and enhancing it gain a competitive advantage. It is a tool to minimize the risk that the company does not meet customer requirements, as well as a tool to improve its internal processes. A certified management system or integrated management system represents a commitment of the organization to the continuous improvement of its production.

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