ARE ISO 9000 AND TQM PROGRAMMES PAYING OFF FOR MALAYSIAN MANUFACTURING COMPANIES?

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ABSTRACT

The number of companies applying for ISO 9000 certification is increasing rapidly in Malaysia. People usually presume that having the ISO 9000 certificate means having a better quality and usually increased profitability. This paper assesses the impact of ISO 9000 on firm profitability. Further, the profitability of companies that implemented ISO together with other Total Quality Management (TQM) programmes is compared to the profitability of companies that implemented ISO in isolation. This is accomplished through the analysis of a survey addressed to managing directors of 200 ISO certified manufacturing companies as well as the profit data received from the Malaysian Registry of Companies (ROC).

INTRODUCTION

Quality is a critical success factor that can lead firms to gain competitive advantage. With the seeds of Vision 2020 (the year Malaysia plans to be a fully developed nation) planted in all industries, Malaysia strives to achieve global recognition for quality management. The Malaysian government encourages companies and government agencies to obtain ISO 9000 certification in order to enhance their quality management system. Based on SIRIM (Malaysian certifying body) Directory of Certified Products and Companies which was issued in June 1997, there are 936 companies (from the manufacturing and services sectors) certified to MS ISO 9000. Although much effort is put in by the industries in Malaysia to obtain ISO 9000 certification, there has been no attempt made to verify whether implementation of ISO 9000 leads to any increase in firm profitability.

Although research work in the field of Quality Management has been increasing tremendously for the past few decades, very few known studies have been conducted to find out if Quality management systems bring improvement to company profit. There are examples of companies in the USA which have won the coveted Malcolm Baldrige National Quality Award (MRNOA) but had failed to show any improvements in terms of profit. One such company is Wallace Company (Tatikonda and Tatikonda, 1996), which won the MRNOA but eventually had to file for protection 11 Bankruptcy Protection.