

# ISO 9000 QUALITY STANDARDS: IMPACT ON BUSINESSES

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## ABSTRACT

This research study investigates the impact of implementing ISO 9000 in automotive industry. The results show that most companies do obtain certification. Despite the high cost to obtain the certification the study finds that the overall benefit to the companies is positive.

This study looks in to ISO 9000 Quality standards and the kinds of impact thy have on business organizations. Questions have arisen regarding the actual influence of these quality standards on service and product quality, giving rise to the actual validity of these systems. Previous research has indicated that to obtain certification, substantial investment in personnel, time and finance is necessary. The main purpose of this study is to find out whether companies are actually deriving benefits and if the investments are worthwhile. The study focuses on automotive industry. The sample was collected from a major Midwestern industrial state in summer of 2011. A 40 item questionnaire was developed after a detailed review of the literature. 1000 questionnaires were mailed to companies with major connections with auto industry. After about 8 weeks, follow-up phone calls were made to get a better response rate. A total of 270 usable responses were received. All of the respondents are certified. Four hypotheses based on the literature were tested. The hypotheses tested were: 1. Because of the intense competition in the market place, increased costs of these programs will not be passed on to the customers, 2. Certifications will position a company better to defend itself against competition, 3. Substantial benefits are enjoyed by companies that make investment in ISO 9000 and 4. Managers will sacrifice short-run benefits to obtain long –range benefits.

The data showed that the majority supported the notion that certification will act as a major defense against competition by a margin of 60% to 40%. Thus the findings supported the hypothesis H2. The data did not support H1. The respondents felt administrative costs will increase through implementing and supporting the certification programs. About 55% were of the opinion that increased costs will be passed to the consumers at some point in the form of higher prices and it demonstrated that companies are concerned with the costs associated with implementation and maintenance of the standards. The data related positively with H3. It illustrated that a significant majority of the respondents felt that certification did provide benefits by improving products and services, improved communication channels, stronger customer relations, access to new markets, reduction in operation costs, safer working environments, reduced scrap costs, improvement on on-time deliveries, fewer product defects and customer rejections, assurance of better quality, improved customer confidence etc. The responses did not indicate any major opposition to the benefits of the certification process. Thus, the results indicate a positive relationship with H4. The respondents felt it was important to invest in programs that will properly position them so as to enjoy long term benefits.

The data showed that due to mandatory requirements from the automotive industry, many of the companies obtained certification. They were cognizant of the fact that their survival depends upon the

certification as mandated by the automotive industry. In sum, notwithstanding the high investment and capital requirements to obtain and maintain these certifications, they are overall, positive reinforcements. The purpose of the study is to ascertain the impact of obtaining ISO 9000 Quality Standards on companies tied with automotive industry. Four hypotheses were constructed. Hypothesis 1 was not supported. Hypotheses 2, 3 and 4 were supported.