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**THE IMPACT OF THE INTERNATIONAL STANDARD ISO ON THE
SUCCESS OF ORGANIZATION**

**UTJECAJ MEĐUNARODNE NORME ISO NA USPJEŠNOST
ORGANIZACIJE**

ABSTRACT

International standard ISO in its basis represent set of rules whose systematic application has a multiple direct impact on the organization that applies them, but also indirect influence on its environment. Public sector represents organizations that are inherently highly standardized; therefore, law and subordinate regulations define the scope of activities. The question arises of purpose or the applicability of the international standards ISO 9001 in such systems.

Modern administration in the time of decentralization in its scope of activities receives increasing number of activities, on the other hand market economy, competition, speed of dissemination of information has raised the level of criticality of the real sector. Real sector especially in the time of recession is facing the problem of its sustainability, therefore demands from the administration quick, timely and quality service, program or a project. Real sector, today, in administration looks for a partner that will recognize problems with which they are facing and react to them with quality service. Real sector studies and compares work conditions in environment and impose to the administration demand for constant validation of their work. At the time when the expectations and obligations of the administration are increasing, question raises about justification the decision to accept international standards as criteria by which administration will evaluate its work. Particularly when we know that the acceptance of standards represent significant investment of administration in its own recognizability, proof of affirmative attitude of administration of its role in economic development, but also an obligation for continuous work on its own advancement.

Revision of international standards has resulted in principles that are precondition of successful organization. Analysis of the application of the principles of building a real and public sector presented a qualitative contribution to the application of these principles in organizational

behavior, and thus the success of the system. In the second part of the study it is analyzed the tendency of the increase of certified administrations in the world and Croatia. These analyzes were used as the basis and an argument for the justification of the decision on the application of international standards in administrations.

Keywords: *standard, ISO, quality management system, public sector, administration*

SAŽETAK

Međunarodne norme ISO u svojoj osnovi predstavljaju skup pravila čija sustavna primjena ima višestruki izravan utjecaj na organizaciju koja ju primjenjuje, ali i značajan indirekatan utjecaj na okruženje. Javni sektor predstavljaju organizacije koje su same po sebi visoko normirane, te je djelokrug rada definiran zakonima i podzakonskim aktima. Postavlja se pitanje svrhe, odnosno primjenjivosti, međunarodnih normi ISO 9001, u takvim sustavima. Moderna uprava u vremenu decetralizacije u djelokrug rada dobiva sve veći broj aktivnosti, s druge strane tržišna ekonomija, konkurencija, brzina diseminacije informacija podigla su razinu kritičnosti realnog sektora. Realni sektor je poglavito u vremenu recesije suočen sa problemima vlastite opstojnosti, stoga od uprave zahtjeva brzu, pravodobnu i kvalitetnu uslugu, program ili projekt. Realni sektor, danas od uprave traži parntera koji će prepoznati probleme s kojima se suočavaju i na njih odogovoriti kvalitetom usluge. Realni sektor proučava i uspoređuje uvjete rada u okruženju i nameće pred upravu zahtjev za stalnom valorizacijom vlastitog rada. U vremenu kada su očekivnja i obveze uprave sve veće, postavlja se pitanje opravdanosti donošenja odluke o prihvatanju međunarodne norme kao kriterija po kojem će uprava valorizirati svoj rad. Poglavito kada znamo da prihvatanje norme, predstavlja značajno ulaganje uprave u vlastitu prepoznatljivost, dokaz afirmativnog stava uprave prema vlastitoj ulozi u gospodarskom razvoju, ali i obvezu za kontinuitetom rada na vlastitom unpređivanju.

Revizija međunarodne norme rezultirala je načelima koja su pretpostavka uspješne organizacije. Analizom primjene načela izgradnje sustava u realnom i javnom sektoru iskazan je kvalitativan doprinos primjene ovih načela na organizacijsko ponašanje, a time i na uspješnost sustava. U drugom dijelu rada analizirana je tendencija porasta broja certificiranih uprava u svijetu i Hrvatskoj.

Navedene analize korištene su kao podloga i argument opravdanosti odluke o primjeni međunarodne norme u upravama.

Ključne riječi: *norma, ISO, sustav upravljanja kvalitetom, javni sektor, uprava*

1. Introduction

Standards make an enormous contribution to most aspects of our lives, although very often, that contribution is invisible.

The scope of the administration, organization of administrative bodies, control over their acts and operations, and other issues of importance to their work are defined by the laws and subordinate regulations. Especially the Law on Local and Regional government. Consequently, the question arises of purpose and applicability of international standards in systems that are regulated by law. Furthermore decentralization that brings increasing commitments in the area of local and regional self-governments on the one hand, and the growing expectations of the wider environment on the other hand, further emphasize the issue of economic justification of systematic investment in additional education of the international standard, cost effectiveness of time and effort consumption to review existing modes of work, making additional documentation that is not required by the laws in force and the acceptance of a set of obligations especially after the decision to verify compliance of the system with the international standard system certification company.

Analysis of the previously given arguments, leaves the impression that the decision about implementing international standard in administration is a work with questionable sense and purpose. But, this way of thinking is superficial and based on a lump understanding of the standard as series of „additional rules“. Market laws, primarily requirements for increasing competitiveness of the real sector, very often application of international standard ISO 9001:2008. (http://www.iso.org/iso/home/standards/management-standards/iso_9000.htm), developed increasing criticism and expectations of the real sector towards the public sector. Real sector, aware of significance and role of the public sector in creating a favorable economic environment, has more specific requirements. Real sector emphasizes that the public sector is financed out of real sector, therefore it is expected transparency of costs, prudence in making business decisions and creating preconditions for sustainable economic development. The concept of public administration that only fulfills the legal obligation is no longer viable.

The increased demands on one hand, and the pace of change facing administrations demands for raising their competence, acquiring new knowledge and technologies. Administrations are now expected to leave the frame of bureaucrats and merely following the legal framework, it is expected that they react swift and responsible to changes in environment, and that they become partner and support to real sector through their own programs and projects. These expectations that are set in front of administration, demand number of changes in work organization. In order to raise its own competency for expectations and demands that are set in front of it, administrations today learn by analyzing their own successfulness, comparing success of surrounding administrations, using the examples of „good practice“ as a base for improvement of its own work etc.

Consequently in this paper it will be analyzed the basic presumptions of international standard and its impact of their application to raise of overall level of system performance.

2. The basic rules for applying the ISO methodology

Analysis of the application of international standard ISO 9001:2008 in real sector show justification of its use by validating amount of invested in application itself and achieved, and systematic application. Use of international standard in real sector sometimes represents partners request, and is thus a prerequisite for successful business relationships. In international business standard is sort of a warranty to business partner that by doing business with organization that has a certificate get service or product that complies with requirements. In real sector survive projects that show profitability in given period; therefore, use of standards implies proper results. (Appleby, Clark, 1997, p. 27).

Administration, on the other hand, in general does not create added value, does not perform economic activity, therefore „measurability“ of profitability investing in application of ISO standard is somewhat more complex and harder to compare to the one in real sector. Trust in administration work, service, programs and projects are a request that administration must fulfill. Therefore standardization by international criteria is a validation that administration primarily understands and comprehends its role in modern society, that it disposes knowledge and capabilities necessary for rational management of available resources, that it is ready to systematically question its own way of work, that it is ready to receive comments and suggestions from the environment and that it is ready to change, after constructive analysis of the system and to adapt in a way to raise quality of its own service, projects and programs.

International standards are subjects of systematic analysis of organizations that apply them, interest groups on whose operations it has impact and a series of experts in the area to which they relate. Global character and wide applicability of standards, but also the influence from the environment, demand continuous analysis of the standards as well as its revision in accordance with perceived

needs for changes in standards requirements. As a result of series of revision from 1987 to 2008 the Organizing committee of ISO, in the preparation of the II Major revision of standard ISO 9001 building a system of quality and management, adopted the principles of building a quality system according to ISO 9001 standard, that are presumption of successful applicability of international standards (Bešker, Špiljar, 1999, p. 143). These principles represent set of rules as a sort of recipe for successful organization management. Principles are orientation towards the service users, leadership, employee involvement, process approach, systematic approach toward management, continuous advancement, and factual approach to decision-making and mutually beneficial relationships with suppliers.

2.1. The principle - orientation to service users

Performance of the real sector is basing on the orientation towards the customer or service user. Service user always has a choice, dissatisfaction with service in real sector will influence on his decision whether the next time he will choose specific product. By choosing one product, customer/service user confirms his satisfaction with given and with his money decides on the performance of company (real sector). Customer is a king for service user, where in time of recession and downsizing to necessary purchase, role of king is more significant.

On the other hand, services that administration is providing are necessary, but since they are not economical service user have no choice. Real sector does not have complete freedom in choosing service provider or suppliers, because matters are determent by law and subordinate regulations. Necessity of service choice by the management makes the management less exposed in basic existential sense, to which real sector is exposed. Nevertheless, the rights to dissatisfaction with provided service have all the service users, so they have the right for "reclamation", written complaint, constructive criticism, making a claim, in the end on the local election express their opinion about projects, programs, and provided services. It is this right of choice that makes administration sensitive to service user opinion. Application of international standard ISO 9001:2008 in administration is based on the knowledge of officials of local, regional and national levels of government that it is necessary to systematically follow service user opinion. Application of international standard ISO 9001:2008 was developed through agreement or guidelines for administration in which officials of local, regional and national levels of government have tried to define the criteria for evaluating the success of administration to ensure their own survival.

2.2. The principle of leadership

Leader establishes unity of purpose and direction of organization. Organization management requires the skill of leadership apropos management (Kondić, 2002, p. 150). Every organization must have defined who does what and who is responsible for what. Lack of organizational structure is resulting in lower system efficiency and a series of unnecessary repetitions.

2.3. The principle of employee involvement

Every employee in organization is directly responsible for its success. The principle is basing on understanding of the role and significance of every employee, on respecting their opinions and the possibility to affect decision making in organization with their notes and suggestion.

2.4. The principle of process approach and the principle of a systematic approach to management

Work organization represents one of the most important assumptions of its success. Certification by the international standards represents defining key processes within the organization, determining

interactions between them and systematic analysis of unnecessary overlaps with goal to raise system efficiency. Local and regional administrations within the scope of their work have a variety of activities in the field of education, health, culture, economy, construction etc. Large scope of activities makes the public sector (administration) significantly different that is more complex systems than those relating to companies. Furthermore decentralization, on one hand, and continuous demands for decreasing administration employees on the other, are reflecting as an administration need for process analysis, defining key and auxiliary processes, perceiving unnecessary overlaps and its analysis in the sense of their removal, decreasing the number of errors through simpler instructions, and modernization of existing modes of work in terms of providing accurate, precise and complete information when it is necessary for decision making.

2.5. The principle of continuous improvement

Globalization, widespread use of internet, high dissemination of information are determinants of modern environment in which, in real sector, are successful only those companies that are good enough in analyzing changes in environment and which are capable to quickly react to those changes by changing their services, products and products to comply with new demand.

Administration and business decision making in administration represent more complex proceedings than it is in the real sector. Decisions that have considerable effect on environment demand detection of changes, their analysis, predicting their influence on environment, adjustments of projects, program and services to the newly conditions, and most importantly adopting the programs, projects and new services in system in which it is needed their systematic verification in front of county authorities, board and council authorities etc. Even after the passing of the Amendments of Law on regional and local government back in 2009 it has been made progress in simplification of business processes, but also increasing the role and powers of heads of administration, this procedure is slower even today, than decision making in real sector. Despite the fact that the law provides emergency procedures, decision procedures are essentially different between real and public sector. Reasons for such actions are mainly in the property sources. Real sector in all its decision-making is disposing by its own resources and their influence to environment is, in most cases, smaller than the one of public sector. In disposal of its own property and assets, real sector is autonomous and responsible primarily to employees, business partners and only indirectly to environment. On the other hand, public sector disposes budgetary funds, which are assigned to it under the law. Budgetary funds are not and cannot be a result of own activity of public sector and as such may be disposed in pre-defined manner with clearly defined criteria. Any modification or redistribution of budgetary funds generally represents withdrawal of rights allocated to one group of budgetary users so it could be granted to other group of budgetary users, or, if it stays within the same group changes intended use of funds. These kinds of business decisions require consent of all interested parties, which makes them more complex. However, the influence of business, often difficult strategic decisions that are made by administration, because of their significance for the environment, should not be taken differently. Furthermore, response reaction to the changes in environment for real sector in some situation can be crucial for continuation of business. Administration must recognize changes in environment and react to them in a way that their programs, projects and services can create optimal work conditions to real sector in new conditions.

2.6. Factual approach to decision making

Real sector has far more liberty in business decision making. The rationality of management in real sector makes it prone to use facts when making business decisions. However, the dynamics of change in the environment often does not leave enough time for systematic analysis, and the structure of real sector, which is dominating by small and medium enterprises, often does not leave

enough its own funds, time, or knowledge for conduction of systematic analysis. Consequently, business decision making in real sector is often based in business experience, intuition and monitoring changes in environment. Budgetary funds and its limited possibility of management, criticality of the real sector to the successful and less successful projects that are implemented by administration, but also the need for confirmation of justification of investments made by administration, makes the factual approach to decision making necessary in administration. The base for business decision making in administration can only be facts, profitability studies and scientifically based assessment. This kind of approach gives officials the right to make reasonable business decisions, and to the real sector trust that administration is disposing budgetary fund with accordance with rules of the trade and good management principles.

2.7. Mutually beneficial relationship with supplier

Application of mutually beneficial relationships with supplier principle is different in real compared to public sector. Real sector has freedom of business decision making in the choice of suppliers of services, and every organization has a freedom to determent selection criteria. Mutually beneficial relationship with supplier is extremely important because it can influence overall system performance in terms of service quality, product quality etc. Relationships with suppliers, in public sector are predefined by law and subordinate regulations, wherein the freedom in business decisions making is limited and dependent on legislation.

3. The role of the application of the International Standard ISO 9001:2008

ISO Survey (<http://www.iso.org/iso/home/standards/certification/iso-survey.htm>) is a worldwide review of certificates issued for ISO system management standards. This publication is issued since 1993 and it systematically analyzing number of new certificates by type, country, industries (http://www.iso.org/iso/database_iso_9001_iso_survey_2011.xls; http://www.iso.org/iso/database_iso_9001_iso_survey_2011.xls). Analysis of certified administration by countries of the world shows continuous growth of certificates. Table 1 is showing number if issued certificates ISO 9001, which is classified as administration, that in Croatian corresponds term of government, in the world by years.

Table 1 Number of issued ISO 9001. Certificates by years in world

Year	World
1998	689
1999	2086
2000	1404
2001	331
2002	780
2003	2229
2004	3457
2005	4213
2006	4371
2007	6208
2008	4911
2009	7938
2010	5399
2011	6468

Source: ISO survey <http://www.iso.org/iso/home/standards/certification/iso-survey.htm>

From the above table it is evident that the trend of administration certification by international standards in world started in 1998, and that it if we exclude 2001, when this number was slightly lower, indicates growth. This kind of relation to certifying shows the fact that administration

considers relevant quality and perception of its own service as quality, and that it is ready to invest in raising the quality of service. As administration certification is not a formal requirement for now, and the administration decide voluntary to certificate their way of working, it could be concluded that one of the primary motives for increase of certificates were examples of growth service quality of certified administrations.

Furthermore, from Table 2 we can see that analysis of issued certificates ISO 9001 for administration in Croatia shows tendency of growth.

Table 2 Number of issued ISO 9001 certificates by year in Croatia

Year	Croatia
1998	0
1999	0
2000	0
2001	0
2002	0
2003	0
2004	0
2005	22
2006	24
2007	29
2008	36
2009	45
2010	55
2011	17

Source: Croatian review of management system certificate ,www.kvaliteta.net

Although scientific research show difficulty in determining connection between success of organization and implementation of ISO quality (Wiele, Williams, Brown, Dale, 2001, pp. 323-331) significant data is that proactive administrations, which are initiating economic growth in their environment, are more prone to certification process (Davison, Grieves, 1996, pp. 32-38).

4. Conclusion

Even though it is difficult to determine the extent, to which the success of organization is associated with the application of international ISO methodology. Making a decision on implementing standards and principles of system management represents readiness and willingness of organization to establish its own processes. Define goals and priorities. Measure its own successfulness. Verifying acceptance of its products, services, programs and projects. Compares with their environment and learns from it. It is open to notes and suggestions from environment by analyzing them, and incorporates them in their way of work, if they are proven to be correct. Even though there cannot be linked successfulness of organization with appliance of standards, interest for application of ISO methodology as a business practice is showing proactive approach of organization to environment, as well as their own role as a responsible administration for ones actions in economic development. Furthermore decision to implement international standards, reflects readiness of organization to systematically checks its own method of work with authorized international certification bodies, in accordance with international success criteria, as well as actively participating in raising its own recognition in international settings. Previously noted expressed willingness, even declarative, is basically a qualitative progress. Consequently it is clear that investing in implementation of international standards is a investment itself into organization, thus justify its prupose.

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