

## TOTAL QUALITY MANAGEMENT AND COMPETITIVE ADVANTAGE OF ALBANIAN FIRMS

### MENAXHIMI TOTAL I CILËSISË DHE AVANTAZHI KONKURRUES I FIRMAVE SHQIPTARE

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#### PERMBLEDHJE

MTC është një koncept i ri për sektorin privat në Shqipëri. Ky koncept, që i garanton firmave të huaja të çdo madhësie të jenë konkurrese në një mjedis biznesi global, është i panjohur për shumicën e firmave vendase. Një nga aspektet e MTC është arritja, aplikimi dhe mbajtja e standarteve ndërkombëtare të cilësisë, por, arsyeja kryesore që këto subjekte aplikojnë për këto standarte në Shqipëri është plotësimi i kushteve për pjesëmarrje në tendera dhe jo arritja e AK. Në Shqipëri nuk ka ndonjë organizim serioz të institucionalizuar për aplikimin e MTC dhe ka mangësi në kriteret e klasifikimit të specialistëve që merren me auditimin e cilësisë të firmave private. Në Shqipëri nuk ka ndonjë organizim të çertifikuar për aktivitetin e auditimit për cilësinë për firmat private. Në sektorin e agribiznesit procesi i aplikimit për sistemin HACCP është i ngadaltë edhe pse është një faktor i rëndësishëm në aplikimin e sistemeve të cilësisë në procesin e prodhimit në sektorin e industrisë ushqimore. Si rezultat i këtyre kushteve, kombinuar me faktorë të tjerë, firmat shqiptare nuk janë të afta të arrijnë AK në tregun vendas dhe atë ndërkombëtar. Kjo ka një ndikim të madh në ecurinë e ekonomisë së vendit në përgjithësi.

**Fjalë kyç:** Manaxhim Total Cilësie (MTC), Analiza e Rrezikut dhe Kontrolli i Pikave Kritike (ARKPK), Avantazhi Konkurrues (AK), Firmat Shqiptare.

#### SUMMARY

TQM is a new concept for private sector in Albania. This concept, which guarantees for foreign firms of any size to be competitive in a global business environment, is unknown for most of Albanian firms. One of TQM aspects is achievement, application and keeping of quality international standards, but, in Albania, the main reason that these subjects apply for standards is fulfil of conditions for participation in tenders and not CA achievement. In Albania there is not any serious organisation institutionalized for application of TQM and there is a lack of classification criteria of quality auditing specialists. There is not any organisation certified for handling quality auditing. In agribusiness sector there is a slow process in application of HACCP system, which has a considerable indication in application of quality systems in production process of food sector. As a result, combined with other factors, Albanian firms are not able to gain CA locally and abroad. This situation has been expressed at the conditions and the course of the country's economy generally.

**Key words:** Total Quality Management (TQM), Hazard Analysis Critical Control Point (HACCP), Competitive Advantage (CA), Albanian firms

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#### INTRODUCTION

The problem being investigated within this paper research was relation between Total Quality Management and Competitive Advantage in Albanian market. The previous literature on the

topic includes some studies on qualitative resources management for competitive advantage and indication of firms' quality culture on competitive advantage achievement, while in Albania there is a lack of these studies because

TQM has been unknown for most of Albanian specialists and local businesses on the past. This is the main importance of the study too, which opens a path for other studies generating more ideas on how to improve situation and how to promote local firms practicing TQM in their daily activity.

The main objective of the research is to define existence of relations between TQM and CA in private sector in Albania and to clarify these relations for all interested parties. The study aims to serve as a explanatory case for application of TQM and CA in Albania focusing on great relation between doing business conditions in Albania and low level of TQM application, which brings low level of CA, evident because of the low level of Albanian firms' penetration in regional markets and beyond, which has reflection in trade balance of Albania too, evident in the low quality of products and services which are offered in local market too.

**MATERIAL AND METHODS**

There is a great debate currently on which are the main issues for defining and following competitive advantage in local and international markets, especially under the crisis circumstances. Most of studies show that firms that follow TQM applications are more successful finding new clients and penetrating in new markets, because TQM helps on finding firms' core competences, which are main requirements on finding competitive advantage. For example, according to a study undertaken during 2001 – 2007, about 99.9% of clients are happy with products and services of German, Japanese, British firms, etc, which apply TQM, compared with only 70% of clients that are happy with products and services of firms which doesn't apply TQM (8, p.8).

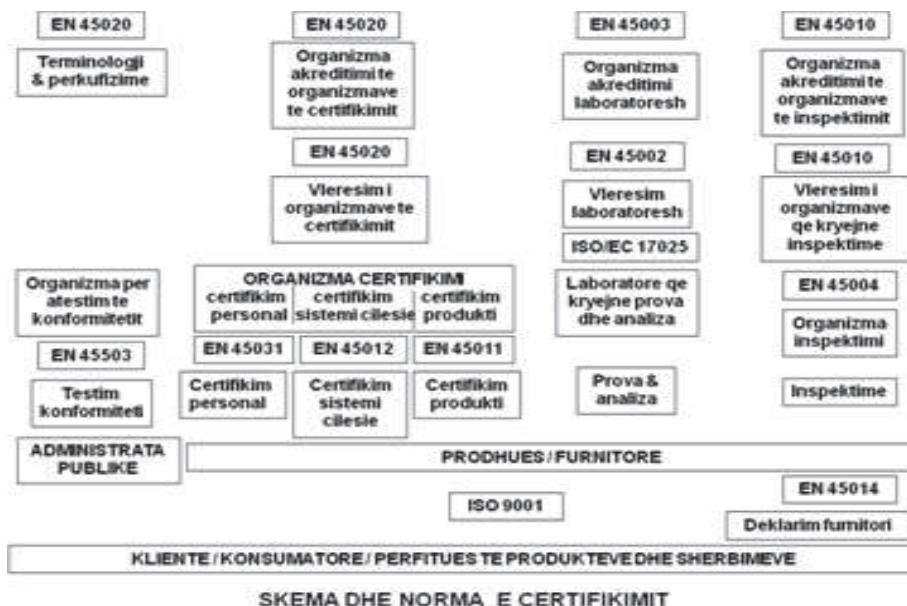


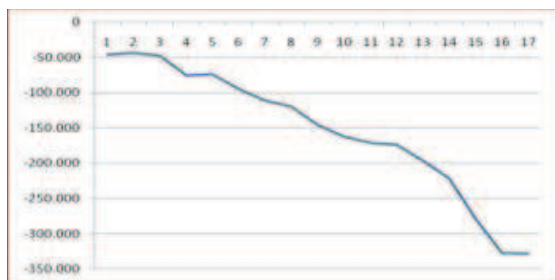
Figure 1. How the auditing and certification system should work (HOEPLI. 2006. p,20).

Methods used for the research have been questionnaires, information taken from interviews with local SME-s, comparisons with the reality of foreign firms, mainly German, Japanese and British firms organize of research's

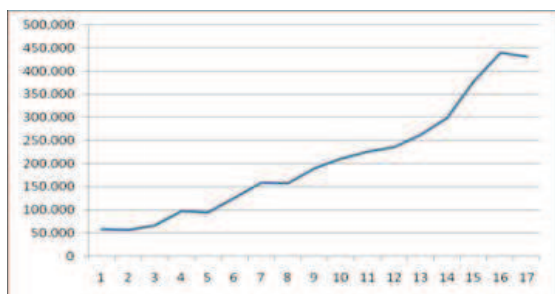
findings in conclusions and recommendations. Besides that, important information has been collected by meetings and discussions with specialists of Standards Directorate of Albania, Accreditation Agency, Ministry of Economy,

Chamber of Commerce and Industry of Tirana, Institute of Statistics of Albania, Bank of Albania, from daily newspapers, different internet pages, etc. A questionnaire about TQM and CA has been undertaken with 150 small and medium Albanian firms during 2009 – 2010. Between them, 54 firms have been construction companies, 33 agribusiness, 26 semi-finished products manufacturers, 19 service industry and 18 wholesale and retail firms (see questionnaire). Data taken from interviews and work visits are confronted with data of international market and with the last modern theories of total quality management and competitive advantage. After processing of the material some conclusions are defined and under that base some recommendations are given.

A comparison with other countries which have a working quality system shows that in Albania there is not any well structured system for TQM, certification, accreditation, etc (Fig. 1).



**Graphic 1.** Trade balance of Albania, 1993 – 2009, INSTAT

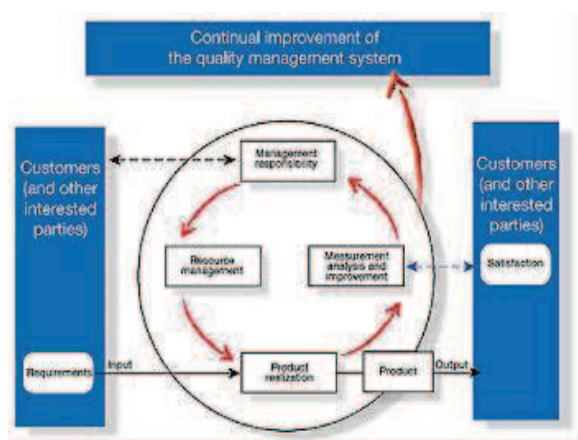


**Graphic 2.** Albanian imports 1993 – 2009, INSTAT

As per most of studies, countries with increasing CA have increasing exports and a better trade balance between export and import figures,

compare with countries with lower competitive advantage (Graph. 1, Graph. 2).

As per most of studies CA is concerned with continuous improvement for a better clients disputes resolution, while continuous improvement and clients satisfaction are two of the main concerns of TQM principles too (Fig. 2). Advantages of corporate governance are performance and operational activities improvement, leading to efficiency and effective businesses, reducing costs, partnering with clients, a crucial point of CA and TQM, aiming on being competitive in a difficult global market place (Fig. 3, 4, 5, 6).



**Figure 2.** The scheme of relations between quality management principles and the focus of ISO 9000 (E. Ceko. Total Quality Management, p.3)



**Figure 3.** Advantages of corporate governance. Performance improvement and improvement of operational activities (IFC. Corporate governance. March 2004. p.43)



Figure 4. Porter's Diamond (Ceko E. Management Strategic Marketing. 2010. (14)

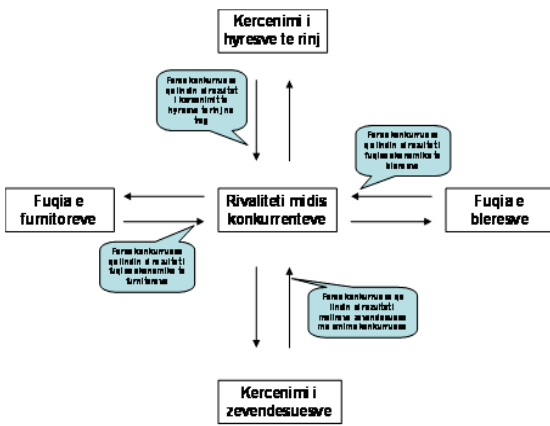


Figure 5. Five Porter's Forces which have an indication at competitive advantage (Ceko E. Management Strategic Marketing. 2010. (21)

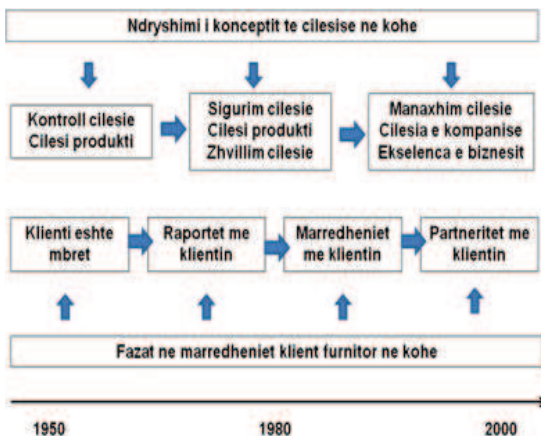
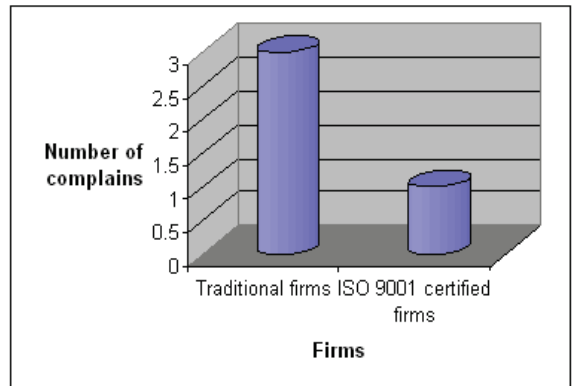


Figure 6. Quality concept's change through the time (Ceko E. Total Quality management. 2010. (14)

RESULT AND DISCUSSIONS

The theory on how TQM generates CA and on how both concepts together if applied carefully generate more profits for firms, have been described by some studies for both disciplines (1, 2, 3, 4, 5), but, in the world of business practice there is a plenty of space to explain and clarify this relation in details, especially in case of private firms that have a little experience in international trade. This is very important because there is a strong relations between TQM and CA not only in the framework of individual firms, but in the framework of the industries / sectors of countries, regions and alliances of all kinds which apply methods, principles and techniques of TQM and CA, compared with those firms, industries / sectors and countries, regions and alliances which don't use and don't apply these concepts, or apply them not in a proper way (1, 2, 3, 4, 5).



Graph 3. Client's complains for traditional and ISO certificated firms

It is clear (Graph. 3), ISO certified firms have more CA compared with traditional firms, because of a very low client's complains. During the study, 20 traditional and 20 ISO certified Albanian firms have been asked about the number of client's complains, and the answer was: ISO certified firms (from the time of certification procedure) have had about 1 complain per about four months, while traditional firms (firms that have not any ISO certificate, or firms which are under the

application process) have had about 3 client's complains in the same period of time.

The main results of that study (derived by questionnaire) are that: a large number of Albanian firms generally don't know exactly what quality is (a), they don't apply procedures, tools, techniques and principles of total quality management (b) and don't know concepts of market advantage defining and application, competitive advantage included (c). A large number of Albanian firms don't know very well standardization and certification process (d) and a large number of them consider certification as a way to participate in tenders and public procurements and not as a way to create more market spaces (e). In Albania there is not any structured and functional system for standards, quality, certification and auditing related to quality, compared with modern international models (f). There is a lack of practice criterions application for classification of subjects that do certifications and auditing of private and public subjects related to quality management and standards (g). In Albania there is not any certified organization for doing auditing of quality on Albanian private firms (h). In agribusiness sector there is a lack of HACCP system application, besides the fact that there is a law request (i). As a result of these conditions, combined with other factors of different natures, Albanian firms are not in such of conditions to be competitive in the marketplace. This has an indication on economic and financial course of these firms, which has been expressed evidently in conditions and course of country's economy generally and in the negative and totally improper situation of trade balance especially. The main recommendation of this study is: "Creation of conditions for Albanian firms to achieve, apply and maintain TQM to create CA continuously in a global world, remain the main duty of public and private sector in short, medium and long term period."

In Albania as per 2010 there are about 40 private subjects that have certified for ISO 9001 as well

as about 10 firms ISO 14000. There are in the process about 65 other firms for ISO 9001. About the agribusiness sector certification, the situation is grave, because local firms don't know anything about ISO 22000 and FSST 22000, while there are about 10 firms which have taken HACCP certificate. For HACCP certificate there are in process about 9 other firms. The agribusiness sector, one of the pillars of the local economy, contributes with about 20% of GDP, while there is a slow trend of HACCP certificates application process, besides the fact that this is a law requirement. This has a great negative indication on quality systems application and defining of competitive advantage of agribusiness firms in Albania (13, 16). The Agency for Food Controls has been created only in January 2010. This situation exists when there are about 60.000 licensed private subjects in Albania.

In the country there are about 200 individuals trained and certified in different levels of auditing for quality, from which about 10 with the attribute of lead auditor. Recently have been registered about 3 auditing and certifying subjects, but they have not started operation yet. National Standards Directorate is operating efficiently, looking to have a full membership in International Standards Organisation. There is created the Accreditation Agency, which currently is in a vague situation, mainly because of lack of financial support.

The TQM discipline has been introduced in curricula of some private universities only in last three years (9, p,8).

The main conclusion of the study is that: In Albania there is not any competitive advantage in production because local firms haven't base values like; working style, and work culture, employers integrity, clients' care, innovation, continuous improvement, etc, which are main elements which brings difference and support for competitive advantage (as per questionnaire) in local and foreign markets.

## QUESTIONNAIRE

Nr	Question	Answer
1.	What is quality?	86% no exact definition
2.	What is total quality management?	78% never heard about it
3.	Do you apply improvement quality methods?	66% Yes (but doesn't explained which methods)
4.	Do you apply quality management tools?	46% Yes (most of them quality control charts)
5.	Do you do comparisons with competitors?	94% Yes (but they didn't mentioned Benchmarking and QFD).
6.	How do you handle comparisons?	96%: surveys on firms' situation in the market and information from buyers
7.	Do you know about the quality certification process?	99% Yes (but not exactly how process is working)
8.	Why you wants quality certificate?	98%: to participate in tenders
9.	What is competitive advantage?	90%: selling as much as is possible
10.	How do you fight competition?	Most of them answered: Individual business with clients mainly with price's reduction.
11.	Do you have contacts with public and private institutions about quality?	84% Yes
12.	Do you have contacts with public and private subjects about certification?	56% yes
13.	What is for you working style and working culture?	No clear explanations.
14.	What is employers integrity?	No ansie
15.	What is clients care?	No clear explanations
16.	What is inovation?	No clear explanations
17.	What is continuous improvement?	No clear explanations
18.	Do you do products design and styling?	34% Yes
19.	How do you have care service for clients?	No clear explanations
20.	Do you have defined core competencies?	No answer. The question was misinterpreted with competencies of high managerial level of the firm.
21.	Do you have strategic planning of quality management?	No answer. The question was misinterpreted with planning process in general.
22.	Do you do control of processes and processes management through proper documentation?	100 % Yes (but not about the documentation)
23.	Do you handle marketing research?	No answer
24.	Do you have funds for research and development?	No ansie
25.	Do you have product planning and how?	100 % Yes. (no explanations)
26.	Do you have quality inspections and in which phases of processes of the firm?	100 % Yes (no answer about phases)
27.	Do you have service after sale?	46% Yes
28.	Do you do internal financial controls?	96% Yes
29.	How many days a year you have training for employers?	No answer
30.	Does your firm have vision, mission, strategic objectives, operational objectives and action plan?	44% Yes

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