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## **CUSTOMER SATISFACTION AS ULTIMATE GOAL OF QUALITY MANAGEMENT**

PROFESSIONAL PAPER

### **Abstract**

The paper briefly describes the manner in which quality concept has evolved from inspection and quality control, to quality management system, stressing the contribution of a so-called „quality guru“ and subsequent excellence which has become a form of standard for a successful performance. The series of quality management standards and quality management systems are presented, together with current versions of related standards and manners in which they can be applied in organizations. Quality management systems need to be constantly improved through the concepts defined in the very standards. The organization, which sets the quality as one of its priorities, actually puts the customers' needs and satisfaction first. The paper provides the main guidelines for achieving quality in an organization and methods for measuring customer satisfaction.

**Key words:** *quality; customer satisfaction; management systems; standards*

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## **1. Evolution of Quality Concept**

Integrity means wholeness, completeness, entirety, soundness, and in products (and services), integrity is the source of sustainable competitive advantage [1, 2]. The term „quality“ has evolved to mean far more and now represents a philosophy, a system of methodologies and practices, and an ongoing commitment to business excellence that encompasses all issues and engages all individuals within an organization [3]. The trail from inspection, through the quality control, to the quality management systems provides guidelines for the analysis of quality concept evolution.

Namely, when manufacturing products in craft workshops there was an ever present need to comply with particular requirements and specifications and thus, random inspection of end products was conducted. As the scope of production increased after the Industrial Revolution, the need arose for more effective quality control of the products. However, it was during 1920s when quality management systems, as we know them today, started to surface focusing on end product. That was when, for the first time, in the works of Taylor and Schmidt, statistical theory was applied to quality control, e.g. in setting a framework for enhancing worker productivity in industrial organizations. Product quality control was conducted mostly through inspections, although Shewhart had already introduced quality control as proactive function rooted in process. Further increase in the scope of production changed the focus from inspecting the end products to inspections conducted in particular production intervals in order to prevent end product problems through early detection on the production line. In 1950s, after industrial leaders and experts came on the scene, such as Deming, Dodge, Juran and Roming, quality has become a concept concerning the entire organization and not only the production process. Deming particularly stressed the importance of management's role for achieving high quality of products and services.

In this period, Japan caught wind of possibilities and importance of quality management, since at that time, their products were considered to be of a very poor quality. With the assistance of the so-called „quality gurus“, Deming and Juran, Japanese companies very soon were put in a position to set new standards in the area of quality management. Namely, in addition to embracing the Western teachings of quality, they have developed their own concepts and principles of quality management (e.g. Kaizen).

In 1970s and 1980s, American companies started to lose their share in different international markets (e.g. automobile and electronics industry) as a result of Japan's advanced quality-related activities. In order to survive, many companies were forced to fundamentally change their quality programmes, which led to the

fact that quality started to take on strategic meaning. In his book *Total Quality Control*, Feigenbaum contributed to the conceptual foundation and practical application of quality management and is considered the originator of Total Quality Management. Thus, globally accepted excellence in quality has become a form of standard for successful business.

Global importance of quality is also supported by the establishment of different and highly appreciated national quality awards. Thus, as a token of great respect of Japan for Deming, Deming Prize was established in 1951. This Prize is awarded every year to the organizations which exhibited quality excellence. It was only some thirty years later that the Americans adopted Deming's philosophy and, as a result, in 1987, Malcolm Baldrige National Quality Award was established. Other countries followed suit worldwide and established similar excellence awards.

## **2. Quality in Quality Management Standards and Quality Management System**

There are different definitions which consider quality from the following aspects: conformity with requirements of products or services, suitability for use, value and price ratio, psychological criteria, and the like. Nevertheless, if we are to define quality in a way that is useful for its management, then in the assessment of quality we must include the true requirements of the customers i.e. their needs and expectations [4].

Standardization is one of the methods for customer-focused quality improvement. Namely, in 1980s, a need arose to establish universal quality standards so that the organizations worldwide could document their practices in that area. In 1987, the International Organization for Standardization published the first version of the international set of standards – Quality Management and Quality Assurance – ISO 9000. This set of standards was developed to enable organizations to improve customer satisfaction, continually improve their processes, and to effectively document the elements necessary for the maintenance of an efficient quality management system. In time, this set of standards was revised and thus, there are versions (issues) of this standard of 1994, 2000, 2008 and 2015. The current set of standards, Quality Management Systems – ISO 9000, includes the following standards:

- **ISO 9000:2015 – Quality Management Systems – Fundamentals and Vocabulary.** This standard provides fundamental concepts, principles and vocabulary for quality management systems. It contains the terms and definitions that apply to all quality and QMS standards. This standard

lays out for the customers seven quality management principles and a process approach to ensure continual improvement.

- **ISO 9001:2015 – Quality Management Systems – Requirements.** This standard specifies requirements for a quality management system when an organization needs to demonstrate its ability to consistently provide products and services that meet customer requirements and expectations. It aims to enhance customer satisfaction through the effective application of the management system.
- **ISO 9004:2009 – Managing for the Sustained Success of an Organization – A Quality Management Approach.** This standard is focused on effectiveness and efficiency of quality management system. Despite not being envisaged for certification purposes, this standard can be used by organizations that wish to achieve higher progress than provided in the standard i.e. to attain sustainable success.
- **ISO 19011:2011 – Guidelines for Auditing Management Systems.** This standard provides principles of auditing, managing an audit programme and conducting management system audits, as well as guidance on the evaluation of competence of individuals involved in the audit process. It is applicable to all organizations that need to conduct internal or external audits of management systems or manage an audit programme.

Standard ISO 9001:2015 sets out the criteria for a quality management system and is the only standard in the family that can be certified to. Currently, the fifth edition of ISO 9001:2015 is effective and it has fully replaced the fourth edition of ISO 9001:2008. Despite the fact that the requirements of this standard are generic and are intended to be applicable to all organizations, it is evident that there is a significant difference between defining the quality in manufacturing organizations and service organizations. Namely, manufacturing organizations have a tangible product as an output of their processes – a product that can be seen, touched and directly measured. Here, quality is often defined by the level of its conformity with a particular technical standard. Other definitions may include performance, reliability, additions, durability and possibility of repair and servicing. In services, quality depends on experience and thus, in this case, the perception of service quality is rather subjective. There is a smaller number of tangible factors which can define service quality, but there are also perceptual factors such as kindness of staff, fast complaint handling and work atmosphere. Other definitions may include waiting time and service consistency. Accordingly, the Standard ISO 9001:2015, in accordance with the definitions provided in the Standard ISO 9000:2015, considers a product in four generic output categories: services, software, hardware and processed materials. Services and software are intangible, whereas hardware and processed materials are of tangible nature and are referred to as goods. However,

it is considered sufficient to analyse the outputs as two categories: products and services [5]. These terms can be also found in the Standard ISO 9001:2015 and are applied only to the products and services intended for, or required by the customers.

The series of standards Quality Management Systems – ISO 9000 is followed by the set of standards Quality Management– ISO 10000, that is, they represent its integral part. These standards deal with the technologies of support to quality systems if the organizations want to improve their quality management systems, processes and activities. Within this series, four standards are directly connected to the customer satisfaction:

- **ISO 10001:2008 – Quality Management – Customer Satisfaction – Guidelines for Codes of Conduct for Organizations.** This standard deals with the Code of Conduct which relates to the customer satisfaction, and its application may indicate whether the customer needs and expectations are met.
- **ISO 10002:2016 – Quality Management – Customer Satisfaction – Guidelines for Complaints Handling in Organizations.** This standard deals with complaints handling by recognizing and addressing the needs and expectations of complainants.
- **ISO 10003:2007 – Quality Management – Customer Satisfaction – Guidelines to Dispute Resolution External to Organization.** This standard addresses resolution of disputes relating to product-related complaints which cannot be satisfactorily resolved internally. Its application can minimize customer dissatisfaction stemming from unresolved complaints.
- **ISO 10004:2012 – Quality Management – Customer Satisfaction – Guidelines for Monitoring and Measuring.** This standard provides guidelines for increasing the satisfaction of customers external to the organization, with the focus on establishing more effective customer satisfaction monitoring and measuring processes.

### **3. Integrating Quality in Management Systems**

Quality management system is a set of coordinated activities to analyse customer demands, define processes with resources contributing to the achievement of products acceptable for customers, and control the processes so defined, along with continuous improvement. Therefore, these activities direct and control the processes in an organization from the quality perspective in order to continually improve the efficiency and effectiveness of its performance.

It is vital to analyse the quality management system as part of a system integrated together with other management systems which may exist in an organization (environmental management, safety management, business continuity management, etc.). However, customers do not want integrated management system standards, but a model capable of adopting to the introduction of existing and future standards and, at the same time, to different requirements of the current ones [6]. To be unified and appropriately integrated with other, existing or potential management systems in the organization, ISO standard for quality management system applies three main concepts: process approach, PDCA (Plan-Do-Check-Act) cycle i.e. the circle of quality improvement, and risk-based thinking.

Process approach enables the organization to plan its processes and their mutual impact, and to integrate the processes and measures to achieve organization's objectives and desired process outputs. This approach is based on the principle where desired results can be achieved more efficiently when the activities and related resources are managed as a process [7, 8].

PDCA cycle describes the activities the organization should carry out to incorporate, as continual activity, constant improvement in its processes [9]. Namely, Deming promoted Shewhart cycle for learning and improvement by a so-called Deming Wheel, which resulted in PDCA cycle as the generally accepted methodology worldwide applicable to any process, in four steps (activities) [8, 9, 10]:

- **Plan:** Set the objectives of the system and processes, as well as resources necessary to deliver results. Existing processes need to be evaluated and according to the results, improvement plan needs to be developed together with specific measures for the evaluation of process performance.
- **Do:** Implement and control what was planned.
- **Check:** Monitor and measure process, product and service performance against defined objectives and results.
- **Act:** Take actions to improve the performance of processes, if necessary. Here, this means actions based on the results of the first three activities. The next step is repeated planning, since the process evaluation, planning and repeating of the entire cycle need to be continued as a spiral of continual quality improvement.

Risk-based thinking enables the organization to address risk in order to improve process outputs and prevent undesirable results, improve the effectiveness of the quality management system and define the extent of process planning and controls needed [11].

The aforementioned concepts provide for setting out the framework for constant improvements of organization's quality management system,

considering that its environment is constantly changing, together with the needs and expectations of customers. Thus, in addition to audit and review of quality management system to identify the areas and opportunities for improvement, the feedback from customers and other interested parties is also very important [12]. Continual improvement of quality management system will, directly or indirectly, improve other areas such as product quality, cost, profitability, competitiveness, employee relations and work environment, customer satisfaction and the like. Continual improvement is also important for an entire integrated management system as a unique system with common resources of different standardized management systems which are interconnected for improving the satisfaction of customers and other interested parties. It can be observed that the satisfaction of customers and other interested parties is set as the objective of all activities relating to planning, establishment, application, maintenance, and continual improvement of different management systems.

#### **4. Quality as Priority of a Successful Organization**

The organization which sets quality as one of its priorities, puts customer's needs and satisfaction first. This includes meeting, and even exceeding customer's requirements, which should be the result of joint efforts of organization's employees [9].

Namely, the customers are the only ones able to, in accordance with their needs and expectations, determine the product acceptability [8]. However, this does not mean that customer satisfaction should be perceived as statistical category, even though some definitions determine customer satisfaction as the level of satisfaction with a product of an organization in relation to the number of customers who return and buy more. Customer satisfaction shows to what extent the organization has responded to the needs of customers and the extent to which customers' expectations are met. This concerns the overall impression the buyers have of an organization. The higher level of customer satisfaction, the more sentimentally they are attached to a particular brand and organization and in this way, customers and organizations achieve a strong and mature relationship.

However, there is no generic procedure and single path to achieving quality within organizations. This is because each organization has its own organizational culture, staff and technologies. However, what constantly needs to be used as guidance toward success in achieving quality are the following, main guidelines: leadership commitment, customer focus, training, empowerment and involvement, measurement, recognition and rewards, and communication [13].

Leadership commitment to quality and constant improvement reflects on the activities of employees, and must be visible throughout all layers of management. This is not always a simple task, because it requires the change in organizational culture and work habits of employees, which is extremely difficult and time consuming. The organization must be customer-focused so that all employees must understand that customers are the purpose of their existence and work, since their paycheck depends on them. The organization must access desirable skill level and awareness of quality of its employees. The training in the area of quality should include all employees of an organization, starting from the top management. Additionally, the organization should provide opportunities and motivate its staff to take additional trainings in quality through different, optional training programmes. In this way, the organization demonstrates its commitment to continuous improvement of employee skills and, in turn, employees show their commitment to improve their capacities. After the training, employees should be given the opportunity to test what they have learned and to give suggestions for improvement of the processes they participate in, whereas their supervisors should be equipped with skills to evaluate and consider their suggestions. To monitor quality improvements, an organization should have historical data. Naturally, this is achieved by Critical Performance Indicators which, in this case, can be defined as the measures that contribute to customer satisfaction. When an individual or a team meets an established goal in the area of quality, such individual or a team should be recognised and properly rewarded. The recognition should commensurate with the value of the accomplishment, paying attention that when the recognition is given, it should be consistent. Eventually, the communication of an organization with its employees, customers and suppliers should be effective and able to recognise the market significance of each of these three participants in business processes.

Once the customers establish the connection with the organization by buying its product or service, they should be attracted to come back again and become the loyal customers. This is achieved if their demands are continuously traced and met. Satisfied customers return and buy more products or services, they tell other people about their experiences. Indeed, attracting new customers is costly and evidently, the expense of customer churn is proportionately high. Statistics suggest that the cost of keeping a customer is only one tenth of winning a new one. [14]. Organizations committed to quality are closely focused on retaining their customers. Customer retention relates to the activities taken by the organization to minimise customer churn and retain them in the customer portfolio. This process starts with the first contact the organization's employees have with customers and continues throughout the entire lifetime of their business relationship. Following new marketing trends and depending on their focus, organizations often create



their customer attraction and/or retention strategies, as well as different loyalty programmes. However, all customers are not profitable and thus, it is vital for the organization to consider a lifetime value of customer before deciding whether to win or retain a customer.

There are different methods to measure customer satisfaction and they can be direct or indirect. Direct methods relate to directly contacting customers and getting their feedback about particular products or services in one of the following ways: direct marketing, contact centres, getting customer feedback through face to face meetings, through questionnaire or third party agencies. However, direct methods are costly and require a lot of pre compiled preparations and analyses. For this reason, indirect methods are applied such as customer complaints and their loyalty.

Establishment of an efficient and effective complaints handling process, as defined and envisaged in ISO 10002:2016 [15] standard, is an indirect method of measuring customer satisfaction. Complaint handling is prescribed within the process which is capable of enhancing customer satisfaction. Introducing claims handling processes by using this standard should enable the organization to:

- a. turn unhappy customers into satisfied ones by implementing complaints handling process;
- b. use inputs on customer dissatisfaction to improve satisfaction of future customers.

Complaint management is not about reducing the number of complaints, but taking the information they generate and turning it into an opportunity for improvement of business processes.

Legislative bodies and different state authorities regulating services and products in particular areas have recognised the importance of customer satisfaction and included it in their laws and decisions. Thus, for example, in insurance industry, the Insurance Law (*Official Gazette of RS* no. 139/2014), together with the Law on Consumer Protection (*Official Gazette of RS* no. 62/2014 and 06/2016) regulates the protection of rights and interests of the consumers of insurance services. In this way, the manner of submitting complaints by insurance service consumers is also stipulated, as well as other obligations of companies relating to complaint handling. It is worth noting that the said legal regulations fully comply with standard requirements regarding quality management system and complaints handling processes. The National Bank of Serbia, as the authority in charge of insurance supervision, has also adopted the Decision on the Manner of Protecting the Rights and Interests of the Insurance Service Consumers. Similarly, customer satisfaction and protection is implemented in other areas dealing with different products and services.

## **5. Conclusion**

The manner in which the concept of quality has evolved provides the understanding of the global significance of quality, and of the manner in which the success in quality management in the Far East has spread to the North America and the rest of the world, through the examples of good practice.

Tendency to constantly improve quality was followed by the need to establish universal standards in that area. The International Organization for Standardization has compiled the efforts of quality experts from different parts of the world by establishing the set of standards, Quality Management Systems – ISO 9000, and by accompanying sets of standards such as Quality Management – ISO 10000. These sets of standards have enabled organizations to enhance customer satisfaction, constantly improve their processes, and effectively document the elements necessary for maintaining an efficient quality management system.

Thus, quality management system should assist organizations to enhance customer satisfaction by meeting customers' requirements, needs, and expectations. The system should convey to organization's employees what needs to be done to obtain a product of required quality and should impact their activities in the manner in which they will perform their tasks in accordance with quality specifications. Quality management system should be integrated with other management systems which may exist in an organization and to that extent, three main concepts are applied: process approach, PDCA cycle or the circle of quality improvement, and risk-based thinking. Quality management systems established in an organization are subject to constant audit, review and improvement and in that process, the feedback from customers and other interested parties is vital.

Standards define customer satisfaction as customers' opinion of the extent to which their requirements are met. Thus, customer satisfaction shows to what extent the organization has responded to the needs of customers and the extent to which customers' expectations are met, and relates to the overall impression customers have of the organization. Main guidelines for achieving customer satisfaction are simple, but efficient. They leave enough room to adjust to specific characteristics of each organization and provide for new ideas for effective attainment of customer satisfaction. However, when developing the strategy for customer satisfaction improvement, an organization first needs to take into account the lifetime value of customers and subsequently, make a decision whether to focus on attracting or retaining customers, or to accept the fact that customer churn entails expenses. To assess customer satisfaction, measuring methods need to be established. One of common methods, which is also regulated by the quality management standard, is the indirect method of establishing complaints handling process.

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