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# The Influence of ISO 9001 Quality Management System and Corporate Culture Implementation on Competitive Advantage to Improve Company Performance

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**Abstract:** PT Metiska Farma has achieved better competitive advantage through the implementation of corporate culture and ISO 9001 Quality Management System. However, for about the last 5 years, the company's performance seems to have been stagnant, making no significant improvement. Generally, the purpose of this research is to determine the influence of ISO 9001 Quality Management System and corporate culture implementation on competitive advantage and company performance. The unit analysed is in the Head Office area of PT Metiska Farma. The method used is survey with descriptive explanatory hypothesis testing where data is primary, obtained through questionnaires distributed to 120 employees as respondents using the cross-sectional technique. The data is processed through the Structural Equation Model (SEM) from LISREL 8.70. The result of the data analysis shows that ISO 9001 QMS and corporate culture implementation significantly affects competitive advantage and company performance, both directly and indirectly, through intervening variables.

**Keywords:** ISO 9001 Quality Management System, corporate culture, competitive advantage, company performance

## I. INTRODUCTION

### 1.1. Background

Today's challenging business environment tends to force organisations to achieve better performance and maintain their competitive edge to keep customers in their threshold. Improving performance can provide ideas to create new products. This shows that a company is capable of sustaining its competitive advantage to stay competitive against its rivals (Kusumawati, 2010).

Continuous improvement on quality is the key to the success in the business rivalry. One of the industries with high demand in manufacturing quality products is the pharmacy industry. It is a research-based industry which products are strictly regulated, especially on the aspect of produced quality. This

condition should motivate companies to improve their performance and competitive prowess by consistently and continuously revising themselves to meet the demand of the market (Zarkasyi, 2013).

As the competition grows tougher by the day, a company has to be well-informed in managing its resources. The essential key of staying on top of the competition lies in the company's ability to maintain its competitive advantage. It can be achieved when a company gives extra values to its customers compared to its competitors. Competitive advantage could come from various company activities, such as designing, producing, marketing, distributing, and supporting its products.

In a competition fueled by the advancement of technology, a product will grow and develop to a point where it is indiscernable from its other counterparts. To stay on top of the competition, quality alone is not enough. Success is also affected by the strategies applied by the company. Based on that understanding, PT Metiska Farma applies the ISO 9001 Quality Management System and corporate culture which are expected to yield better competitive advantage for the company, bringing positive influence on the company's performance.

Superior performance will be achieved if the defining conditions are met. One of those conditions is corporate culture. Indirectly, it affects the performance of an individual which eventually will improve the performance of the company (Hakim, 2011). The result of Jesper B. Sorensen's research shows that corporate culture significantly influences company performance. In a stable environment, a company with strong corporate culture is considered better in performance and more reliable.

Besides implementing corporate culture, PT Metiska Farma applies the ISO 9001:2008 Quality Management System to achieve better competitive advantage for the company, bringing positive influence on the company's performance.

The implementation of a quality management system (QMS) is a prerequisite for a company's success in penetrating the market. QMS is adoptable voluntarily to improve a company's competitive advantage or its products. It is undeniable that ISO 9001 is essential in quality management development and could have contributed the most influence on it to date (Psomas, 2015).

Based on the above argument, the writer is interested to study the implementation of ISO 9001:2008 Quality Management System and corporate culture at PT Metiska Farma and to observe how the two strategies influence the company's competitive advantage and performance.

## 1.2. Research Framework, Methodology, and Hypotheses

The following is the conceptual framework on which this research is based.

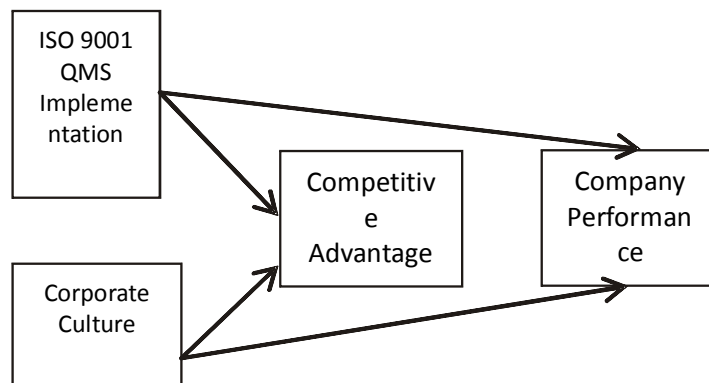


Figure 1: Research Framework

The hypotheses of this research are as follows:

- H1: The implementation of ISO 9001 QMS affects the company's competitive advantage.
- H2: The implementation of corporate culture affects the company's competitive advantage.
- H3: The implementation of ISO 9001 QMS affects the company's performance.
- H4: The implementation of corporate culture affects the company's performance.
- H5: Competitive advantage affects company performance.
- H6: There is a mediacy influence from competitive advantage on the ISO 9001 QMS and company performance.
- H7: There is a mediacy influence from competitive advantage on corporate culture and company performance.

This research is a survey in nature, which involves gathering samples out of a population with questionnaires as the means of data collection. Based on the purpose, the research is descriptive explanatory with quantitative approach. Based on the time horizon, the research is a cross-sectional study.

The population is 301 employees of PT Metiska Farma, Jakarta. Samples are gathered by the non-probability sampling technique utilising the purposive sampling method since samples are defined based on the research's purpose and criteria. Respondents' criteria are the Supervisor-level employees of PT Metiska Farma in the Head Office and staff-level employees with more than 3 years employment period.

Based on the criteria, the respondents of this research are 120 in number. According to Hair et al. (2010), a sample size too big will bring difficulties in acquiring a proper model. Thus, it is advised to use a suitable sample size within the range of 100-200 respondents so that it is utilisable in interpretation estimation with SEM.

Data is gathered by the distribution of closed questionnaires since answers are pre-defined in the form of scales. Respondents are requested to choose the scale which describes the conditions best. There are 5 answers that come in Likert's scale. The codes are: (1) Strongly Disagree; (2) Disagree; (3) Neutral; (4) Agree; and (5) Strongly Agree.

The Structural Equation Modeling (SEM) from the LISREL 8.70 statistical software package is chosen as the means to analyse the data. This method is used in model development, structural measurement and problem showing, and hypotheses analysis and testing.

## II. RESULTS AND DISCUSSION

The following is the t-value output path diagram from the LISREL calculations.

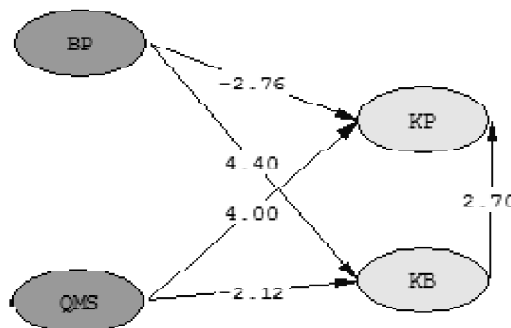


Figure 2: t-value

The figure shows that the hypotheses with t-value larger than 1.960 have significant influence. The following is a table showing the summary of the hypotheses test results.

**Table 1**  
**Hypotheses Test Results**

<i>Hypotesis</i>	<i>t-value</i>	<i>Result</i>	<i>Interpretation</i>
H1	-2.12	Significant Negative Influence	The implementation of ISO 9001 QMS at PT Metiska Farma does not improve competitive advantage.
H2	4.40	Significant Influence	Good corporate culture improves the company's competitive advantage.
H3	4.00	Significant Influence	The implementation of ISO 9001 QMS results in performance improvement.
H4	-2.76	Significant Negative Influence	The implementation of corporate culture at PT Metiska Farma does not improve company performance.
H5	2.70	Significant Influence	Better competitive advantage yields better performance.
H6	-1.48	Direct Influence	When ISO 9001 QMS is properly implemented, company performance is improved. There is no mediacy influence from competitive advantage.
H7	2.18	Indirect Influence	Competitive advantage is needed as mediacy influence for a company trying to improve its performance through the implementation of corporate culture.

### 2.1. The Influence of ISO 9001 QMS on Competitive Advantage

Based on the result of the first hypothesis test, there is a significant negative influence from ISO 9001 QMS towards competitive advantage. This is in accordance with Dyah Budiastuti and Versia (2011) who state that quality management system does not contribute to competitive advantage. Despite the company's focus on customers, the leaders of the company still consider that continuous improvement is lacking. The same goes for the involvement of all elements to control bad quality. Thus, the company should conduct continuous improvement, control, evaluation, and supervision on product quality and working procedure since they are very influential for the company in maintaining its unique character, avoiding plagiarism by rival companies.

The indicator of ISO 9001 QMS with the most influence on its latent variable is the leadership indicator with the factor value of 0.82. This shows that the company's leaders contribute the most towards the success of the implementation of the ISO 9001 QMS. The company's top leaders are essential in supervising the execution of the company's system so that the company's development can be kept in check and carried out with synergy and equal commitment in its every element. This is how the top leaders of PT Metiska Farma, by providing examples in the implementation of ISO 9001 QMS, help the company improve its competitive advantage.

### 2.2. The Influence of Corporate Culture on Competitive Advantage

Based on the result of the second hypothesis test, there is a significant influence from corporate culture towards competitive advantage. This supports Swalhah's research (2014) that proves that positive corporate

culture significantly improves competitive advantage and vice versa. The values applied in the company are expected to be a guideline of behaviour for all employees in becoming superior resources.

The indicator of corporate culture with the most influence on its latent variable is the team orientation indicator with the factor value of 0.68. This shows that team orientation contributes the most in corporate culture. Team orientation means how well an activity can be organised by a team. By orienting to solid teams, better competitive advantage can be achieved.

### **2.3. The Influence of ISO 9001 QMS towards Company Performance**

Based on the result of the third hypothesis test, there is a significant influence from ISO 9001 QMS towards company performance. This is in accordance with Al-Rafaie, Ghnaimat, dan Hsien Li's research (2012) which shows that ISO 9001 certification can improve business performance. The standards of ISO 9001 QMS has been widely known around the world as an important means for a company to improve its effectiveness and efficiency since ISO 9001 QMS is reflected through quality outcome improvement, customer satisfaction, and business performance.

### **2.4. The Influence of Corporate Culture on Company Performance**

Based on the result of the fourth hypothesis test, there is a significant negative influence from corporate culture towards company performance. This negative value can be considered as the declining performance of PT Metiska Farma due to corporate culture. This is in accordance with Swidi and Mahmood's research (2012) that shows that corporate culture poses a negative influence towards company performance. The result indicates the lack of conformity in current culture practices despite corporate culture as an important factor on which strategies are implemented.

One of the reasons behind this discovery is that the company's cultural issues are lacking attention in regular meetings and review sessions. Worsened by the lack of employee training, it resulted in an imbalance between the strategy and the individual capability to effectively implement it. This obstacle not only inhibits the implementation of the strategy, but also yields negative results.

### **2.5. The Influence of Competitive Advantage on Company Performance**

Based on the result of the fifth hypothesis test, there is a significant influence from competitive advantage towards company performance. This supports Majeed's research (2011) which states that every company has its own unique characteristics which can not be copied by its rivals. They can form competitive advantage which will improve the company's performance. The result of Prayhoego and Devie's research (2013) also proves that competitive advantage poses significant positive influence on company performance. This means that the better the competitive advantage, the better the company performance. As an industry, maintaining creative and well-known product innovation supported by technology can be a unique character of a company which distinguishes it from its rivals. This can also be a factor that is very influential towards company performance.

The indicator of competitive advantage with the most influence on its latent variable is originality with the factor value of 0.81. This shows that originality contributes the most towards the improvement of company performance. Product originality means protecting manufacturing resources from the possibility

of being copied by rivals. By creating products with strong character, sales and company performance will be improved.

## **2.6. The Influence of ISO 9001 QMS on Company Performance, Mediated by Competitive Advantage**

Based on the result of the sixth hypothesis test, the value -0.18 represents the influence of ISO 9001 QMS towards company performance which is not mediated by competitive advantage. This supports Munizu's research (2013) stating that company performance can be directly affected by the implementation of a quality management system. If it is implemented correctly, it can bring many benefits, such as more comprehension on the customers' needs, improvement on customers' satisfaction, improvement on internal communications, better problem solving, and less errors. Generally, a company's top management and quality control managers should make quality management system a top priority for the company's survival. Quality management is defined as an element in operational management and as a method to achieve the company's quality target more efficiently in order to improve the company's performance.

## **2.7. The Influence of Corporate Culture on Company Performance, Mediated by Competitive Advantage**

Based the result of the seventh hypothesis test, there is an indirect influence from corporate culture towards company performance, mediated by competitive advantage by 0.45. This supports Swidi and Mahmood's research (2012). Through Resource-based View (RBV), corporate culture can be considered as an incomparable unique ability in improving a company's competitive advantage. In the literatures of strategic management, the role of corporate culture has been widely affirmed as an important factor to explain how a company runs and how a strategy can be carried out effectively. Additionally, unique and rare corporate culture is an indicator of a good, continuous competitive advantage. A successful strategy requires competitive edge as a part of the culture to make sure that all employees participate effectively in achieving better performance. In other words, there will be such challenging times for a company to exist in today's complex business environment unless it manages to create a culture as its competitive advantage in seizing survival and development opportunities.

### **III. CONCLUSION**

- (a) The implementation of ISO 9001 QMS significantly and negatively influences the competitive advantage of PT Metiska Farma. It does not improve the company's competitive advantage.
- (b) The implementation of corporate culture significantly influences the competitive advantage of PT Metiska Farma. Good corporate culture will result in better competitive advantage.
- (c) The implementation of ISO 9001 QMS significantly influences the performance of PT Metiska Farma. Proper implementation of ISO 9001 QMS improves the company's performance.
- (d) The implementation of corporate culture significantly and negatively influences the performance of PT Metiska Farma. It does not improve the company's performance.
- (e) Competitive advantage significantly influences the performance of PT Metiska Farma. Better competitive advantage means better performance.

- (f) The influence of ISO 9001 QMS implementation on the performance of PT Metiska Farma is not mediated by the company's competitive advantage. The proper implementation of the QMS will directly boost the company's performance without being affected by the company's competitive advantage.
- (g) The influence of corporate culture implementation on the performance of PT Metiska Farma is mediated by the company's competitive advantage. A company implementing corporate culture to improve its performance needs to be mediated by competitive advantage.

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