

IMPACT OF QUALITY ON IMPROVEMENT OF BUSINESS PERFORMANCE AND CUSTOMER SATISFACTION

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Original Scientific Paper

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In an immense market struggle, the only effective way to build a long-term competitive advantage is to provide a high level of quality. Offering quality to the market, the organization creates loyal consumers on the basis of which it achieves its profitability, growth and development. The research presented in this paper is aimed at determination of the impact of quality on improving business performance and customer satisfaction. Correlation analysis confirmed this influence on the basis of obtained statistically significant mutual relations between the analyzed variables. Quality was shown to have an impact on improving the business performance of the organization, primarily on profitability through the improvement of leadership and relationship management. The impact of quality on customer satisfaction was also confirmed, where the engagement of people and the management of mutual relations had the greatest impact on consumer confidence. The research confirmed that the training of employees in terms of quality had a statistically significant impact on improving customer satisfaction, if it is conducted in an efficient manner.

Keywords: Quality; Business performance; Customer satisfaction; Competitiveness.

INTRODUCTION

Customer loyalty is a significant factor in improving business results and gaining competitive advantage. Customer satisfaction enables customer loyalty and retention. Much greater effort and expense is required to attract new customers than to retain the existing ones. Acquiring a new customer is almost five times more expensive than retaining an existing one. Profitability can be increased by 25-30%, with only 5% of customer outflows (Ekhlassi et al., 2012). Customer loyalty and quality are significantly related to the brand image, i.e. customer loyalty increases the perception of brand image (Saleem & Raja, 2014). Every company strives to achieve business excellence based on meeting customer requirements, improving business productivity and

corporate social responsibility, but also on maintaining a high and consistent level of quality (Ćočkalović et al., 2015).

Quality contributes to improving competitiveness, but without adequate education and development of awareness of quality achievement, it would be difficult to reach a higher level of business. If a company wants to advance its competitiveness and improve its business, employees must be trained in accordance with the quality program and have a developed awareness of quality achievement as a common goal (Cvjetković et al., 2017).

The role of quality in improving the organization's business and building customer satisfaction has been the subject of many researches. Research has confirmed the impact of service quality on

company performance (Portela & Thanassoulis, 2005), higher market share (Fisher, 2001) and promoting customer loyalty (Qadri & Klan, 2004).

According to the research (Kheng et al., 2010), it was found that the improvement of services in the banking sector increases customer loyalty, with the following dimensions of quality: reliability, empathy and security. The research (Saleem & Raja, 2014) indicates that the focus of service companies on quality, primarily through improving customer convenience, contributes to improving customer satisfaction and loyalty, while the impact on the profitability of the organization has been determined. The research confirms the importance of product and service quality and increases customer satisfaction and loyalty (Bastos & Gallega, 2008; Chai et al., 2009). Loyal customers are mainly associated with the category of customers who use higher quality products (Pilkington & Chai, 2008).

Customer satisfaction is not just a socially provocative concept, but a gold standard on the basis of which every organization is evaluated (Yan & Dooley, 2014). A satisfied customer will repeat the purchase of products or use of products and services (Shamsudin et al., 2018; Hassan et al., 2019). The results of the research indicate that the brand will stand out from the others due to the good impression left by the customers (Mokhtar & Shamsudin, 2020).

Quality is one of the most important factors in identification of new customer needs, as satisfaction and loyalty stem from providing undiscovered consumer needs (Chai et al., 2009). The positive relationship between service quality and customer satisfaction was confirmed by research (Agyapang, 2011), with the following quality variables showing significant impact: competence, reliability, responsiveness and communication. The research (Osman & Sentosa, 2013) confirmed that the quality of services has a positive, significant and direct impact on customer satisfaction and loyalty.

The research (Bakator et al., 2019) indicates that product development and innovation have a statistically significant impact on business performance and competitiveness. Quality ensures organizations gain competitive advantage and contributes to their growth and business performance (Fening, 2012). Customer satisfaction will help organizations gain competitive advantage

(Hasim et al., 2018). Any company that wants to create competitive advantage in the market should strive to satisfy the desires of consumers as much as possible (Uvet, 2020). Quality attributes have a significant relationship with overall service quality, customer satisfaction, and intent to repurchase (Blut et al., 2015). Trust is the most important factor in attracting customers (Chang et al., 2013). According to the research (Rasheed & Abadi, 2014), trust is considered a precursor to quality. Trust plays a vital role in triggering re-purchase intentions (Saleem et al., 2017).

A satisfied customer has positive effect on profitability, so it is necessary to attract and retain such customers (Cooil et al., 2007). If organizations want to maintain long-term performance, they must ensure satisfaction of their customers in the future, through continuous quality improvement (Suchánek et al., 2015). Factors that have shown customer satisfaction are employee engagement, functional and technical quality of services, while emphasizing the importance of business process management in driving customer satisfaction (Kumar et al., 2008). The use of trained staff increases company's responsibility, where training contributes to increase of customer service level, and thus customer satisfaction (Putri & Yusaf, 2009).

To achieve consumer satisfaction, organizations must provide excellent products and services and know how to stand out from competing products (Hamzah & Shamsudin, 2020). Excellent business processes and intangible assets such as brand building and customer satisfaction could become the most important sources of competitive advantage (Wang & Ahmed, 2007; Chen & Tsai, 2012). In today's business environment, customer loyalty is a significant source of competitive advantage, whereby on one hand customer power grows, while on the other the challenges of competitors increase (Sharma, 2007; Pan et al., 2012). Among the excellent business processes that directly affect customer satisfaction and loyalty are the processes that lead to the improvement of products and services (Chu et al., 2012). Leadership is one of the key factors for the continuous improvement of the company (Jabnoun & Khalifah, 2015; Raja & Wei, 2015). The dimensions of leadership and quality management techniques have shown their impact on improving company performance, especially product and service quality and innovation performance (Shanmugapriya & Subramanian, 2015).

RESEARCH METHODOLOGY

The research on the impact of quality on business performance and customer satisfaction was conducted in the period from January to March 2021. The companies that base the improvement of the quality of their business on the implementation of the ISO 9001 standard were the subject of the research. 307 managers from 130 companies participated in the research. According to the data (the ISO Survey), the number of companies that implemented the ISO 9001 standard in 2019 in Serbia was 2707, which means that the number of surveyed companies represents about 5% of the total number of companies that have implemented this standard in their business.

The following hypotheses are proved by the research presented in this paper:

- H1: Quality variables show statistically significant relationships with business performance variables.
- H2: Quality variables show statistically significant relationships with customer satisfaction variables.
- H3: Quality variables show statistically significant relationships with customer satisfaction variables with a moderating effect of quality training.

The aim of the research was to determine the impact of quality on improving business performance and customer satisfaction. Quality was analyzed through quality variables that were examined through the principles of quality management defined by the ISO 9001 standard (SRPS ISO 9001, 2015). The impact of quality was assessed through seven principles of quality management. Evaluating the mentioned variables, the companies indicated the extent to which they were focused on the user and his/her needs and requirements, the extent to which leadership was successfully implemented in their companies, as well as the extent to which employees at all levels were engaged. It was also assessed to what extent the management of activities and resources took place through the process, whether the company implemented continuous improvements in business, as well as the possibility of making effective decisions based on the analysis of data and information. Moreover, companies evaluated their mutual relationship with suppliers and other stakeholders in order to create value. The values of the mentioned variables were expressed using the statements that the respondents evaluated on the

basis of a scale from 1 to 5, where 1 - I don't agree at all, and 5 - I completely agree.

The research examined the influence of quality variables on business performance variables and customer satisfaction variables. These variables of business performance and customer satisfaction were rated using a scale from 1 to 7, with 1 - very low and 7 - very high. The variables of business performance of the company were analyzed through the achieved profitability, sales growth and market share, productivity and competitiveness. Customer satisfaction was assessed using the following variables: reliability, accountability, security, trust and interaction.

These variables were analyzed through descriptive statistics, while their mutual influence was examined on the basis of correlation and regression analysis. Data were processed in the statistical program SPSS Statistics 25.

RESEARCH RESULTS

The research sample included 307 managers from 130 companies. The structure of the analyzed companies includes 74.9% of private and 25.1% of state-owned companies. When it comes to the national origin of companies, the survey covered 83.7% of domestic and 16.3% of foreign companies. The structure of enterprises by size involved mostly medium-sized enterprises 38.7%, slightly less small enterprises 34.9%, while 26.4% of large enterprises participated.

Descriptive statistics evaluated the analyzed variables of quality, business performance and customer satisfaction. Tables 1, 2 and 3 show the minimum, maximum and mean values of these variables, standard deviation and designations that would be used in further research.

When it comes to the evaluation of quality variables, the respondents pointed out the importance of quality in their business with very high grades. The engagement of people and the focus on the user were among the best rated variables. This indicates that quality is achieved through the engagement and responsibility of all employees, while the best effects are achieved by understanding current and future needs and requirements of users. Leadership is the lowest rated variable, which indicates the fact that companies still do not have a sufficiently

developed awareness of the role of leaders in effectively guiding employees to reach the goals of

the organization, and above all in achieving the desired level of quality.

Table 1. Descriptive statistics of quality variables

Variables	Mark	N	Min	Max	Mean	Std. deviation
Customer focus	UK1	307	1	5	4.26	.906
Leadership	UK2	307	1	5	4.07	1.035
Engagement of people	UK3	307	1	5	4.27	.906
Process approach	UK4	307	1	5	4.19	1.032
Continuous improvements	UK5	307	1	5	4.15	.945
Evidence-based decision making	UK6	307	1	5	4.17	.962
Relationship management	UK7	307	1	5	4.16	1.075

Source: Author's research

Table 2. Descriptive statistics of business performance variables

Variables	Mark	N	Min	Max	Mean	Std. deviation
Profitability	PP1	307	1	7	5.37	1.323
Sales growth	PP2	307	1	7	5.47	1.380
Market share	PP3	307	1	7	5.32	1.444
Productivity	PP4	307	1	7	5.23	1.502
Competitiveness	PP5	307	1	7	5.49	1.339

Source: Author's research

Table 3. Descriptive statistics of customer satisfaction variables

Variables	Mark	N	Min	Max	Mean	Std. deviation
Reliability	ZK1	307	1	7	6.04	1.292
Responsibility	ZK2	307	1	7	6.19	1.258
Security	ZK3	307	1	7	6.20	1.206
Trust	ZK4	307	1	7	6.14	1.113
Interaction	ZK5	307	1	7	6.13	1.037

Source: Author's research

Evaluations of business performance of the company recorded high values. Among them, companies singled out competitiveness as the best rated performance of their business, while productivity received the lowest rating. It points out to the fact that companies are constantly striving to improve productivity, primarily through improving the quality of business, and the effects are certainly visible on the competitive position of companies in the market.

By analyzing the satisfaction of their customers, the respondents gave very high marks to the importance of these variables in achieving efficient business results and gaining the loyalty of their customers. In order for a company to succeed in the market, it must have its loyal consumers who will repeat their purchases. Consequently, the best rated variables of customer satisfaction are the security they have when using the company's products and services, as well as the responsibility

that organizations have towards their consumers. The reliability of products and services that consumers have when using them were among the lowest rated variables.

Correlation analysis determined the interrelationship and relations between the observed variables. Table 4 shows the achieved values of correlations between the analyzed variables.

The results of the correlation analysis show that positive and statistically significant correlations were established between the quality variables and the business performance and customer satisfaction variables. Relationships were established that call for a significant connection between moderate to significant intensity.

Correlations that show a significant interdependence of the analyzed variables were

established between the variables of continuous improvement and the variables of profitability and productivity. The variables of fact-based decision making and interpersonal management showed statistically significant relationships with the variables of productivity, profitability, and higher market share. By improving the work process and adequate business decisions based on information, there is a reduction in costs and achieving a higher level of quality, which contributes to increased productivity, and thus better work results.

Moderate-intensity correlations were established between the variable of customer focus and the variables of competitiveness and productivity. Organizations that do not adequately respond to the needs and requirements of their users, and also to the possibility of exceeding their expectations, are not able to improve their productivity and competitive advantage in the market on the basis of such offered quality.

Variables of human engagement and process approach established an essential association with the interaction variable. The process approach is the basis for quality improvement by improving the effectiveness of the quality management system, which is based on engaging people and meeting customer requirements. Organizations that improve their work processes and develop employees' awareness of achieving quality as their own responsibility and common goal, ensure a high level of quality and build good interaction with their customers. The relationship management variable established an important relationship with the variables of reliability and accountability. These relationships indicate that by building

mutually beneficial relationships with their suppliers, organizations contribute to increasing customer satisfaction, primarily through greater accountability to them.

A correlation relationship of lower intensity was established between the variables of focus on the user and the trust variable. If an organization does not pay enough attention to the needs and requirements of its customers, over time their products on the market do not provide a sufficient level of quality compared to the competition, losing consumer confidence and their loyalty to the product.

These correlations between quality variables and customer satisfaction variables were analyzed from the aspect of conducting quality training for employees in the organization. The results are shown in Table 5.

These relations show that there are statistically significant differences in coercive relations between those organizations in which training programs for employees are adequately implemented, and those organizations where this is not the case. An effective quality management system in companies should enable adequate satisfaction of customer requirements in order to increase their satisfaction. In order for organizations to improve the quality of their business, in addition to the effective implementation of the principles of quality management, it is necessary to adequately train employees on quality, goals and quality tasks that need to be realized.

Table 4. Correlation relationships between quality variables and business performance and customer satisfaction variables

	UK1	UK 2	UK 3	UK 4	UK 5	UK 6	UK 7
PP1	.481**	.437**	.447**	.417**	.565**	.608**	.497**
PP2	.407**	.435**	.362**	.373**	.372**	.477**	.444**
PP3	.391**	.403**	.433**	.475**	.475**	.535**	.640**
PP4	.297**	.358**	.383**	.496**	.514**	.509**	.517**
PP5	.283**	.410**	.350**	.308**	.288**	.324**	.353**
ZK1	.345**	.323**	.387**	.303**	.343**	.420**	.541**
ZK2	.425**	.377**	.408**	.335**	.383**	.430**	.521**
ZK3	.450**	.323**	.354**	.321**	.330**	.348**	.497**
ZK4	.285**	.426**	.477**	.327**	.359**	.384**	.377**
ZK5	.475**	.452**	.588**	.505**	.424**	.486**	.503**

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Author's research

Table 5. Correlation relations between quality variables and customer satisfaction variables with the moderating effect of conducting quality training

		UK1	UK 2	UK 3	UK 4	UK 5	UK 6	UK 7
Quality training is conducted	ZK1	.500**	.473**	.441**	.307**	.318**	.281**	.477**
	ZK2	.511**	.470**	.436**	.315**	.330**	.332**	.474**
	ZK3	.530**	.503**	.449**	.333**	.312**	.251**	.445**
	ZK4	.499**	.466**	.473**	.282**	.365**	.288**	.401**
	ZK5	.534**	.487**	.536**	.404**	.454**	.353**	.491**
	N	247	247	247	247	247	247	247
Quality training is not conducted	ZK1	-.181	-.111	.068	.188	.401**	.527**	.484**
	ZK2	.056	.071	.146	.290*	.543**	.478**	.448**
	ZK3	-.227	-.253	.008	.233	.376**	.365**	.439**
	ZK4	.238	.320*	.391**	.385**	.320*	.459**	.166
	ZK5	.200	.344**	.669**	.792**	.294*	.687**	.390**
	N	60	60	60	60	60	60	60

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Author's research

The results of correlation analysis also show how important training is as part of improving the quality and satisfaction of users. Companies that conduct training of their employees in the field of quality achieved statistically significant correlations between the analyzed variables. The variables focus on co-workers, leadership, and people engagement showed a significant association with the variables of reliability, accountability, security, and interaction. In order to achieve greater customer satisfaction, all efforts in the organization must be focused on their needs and requirements, and the ability to exceed their expectations, so that the achieved quality meets the requirements in terms of reliability and safety. Such a quality of the organization can be achieved with the effective leadership of the company, which has the ability to lead employees to achieve the set goal, and encourages their creativity and work innovation.

In contrast, organizations that do not conduct quality training of their employees have established a correlation between the analyzed variables, most of which have no statistical significance. Negative correlations were established between the variables of user-centeredness and leadership and the variables of reliability and security. This indicates that the lack of the desired level of quality in accordance with the needs and requirements of users causes dissatisfaction among consumers of products, when it comes to the reliability of the products or services. Dissatisfied customers stop being loyal to the given products and meet their expectations and satisfaction with the competing products. Also, the lack of training in companies contributes to the fact that quality is not understood

as a process that is necessary to continuously improve the efforts of all employees and the use of their abilities in order to more effectively meet the user needs.

The regression model determined the impact of individual quality variables on business performance and customer satisfaction. The results of regression analysis showed that the principles of quality management are the best predictors of company profitability ($R^2 = 0.466$). This indicates that companies improve their profitability based on the effective implementation of quality management activities, and therefore these activities explain 46.6% of profitability variations. When it comes to the individual contribution of the analyzed quality variables, the regression model indicated that the statistically significant influence of the variables is the leadership and management of mutual relations. The regression model examined the impact of quality management principles on customer satisfaction, and it was pointed out that these activities are the greatest predictors of customer trust ($R^2 = 0.438$). These results indicate that the principles of quality management explain 43.8% of the variations in customer confidence. The analyzed principles of management showed their individual contribution, with the influence of the management of mutual relations and engagement of people as statistically significant in improving customer satisfaction.

The results of the regression analysis indicated that the quality variables have the greatest impact on business profitability and customer trust. The analyzed variables that showed a statistically

significant individual contribution to the improvement of business performance and customer satisfaction are leadership, people engagement and relationship management. Based on the above, it can be concluded that the organization will achieve better business results and gain the trust and loyalty of customers by improving quality through the application of leadership skills in managing employees, encouraging their creative and innovative skills and developing mutually beneficial relationships with all stakeholders.

RESULT DISCUSSION

The research confirmed the impact of quality on the improvement of business performance and customer satisfaction. The individual contribution of the analyzed quality variables was pointed out, as well as what organizations should especially consider in order to improve their business and achieve customer satisfaction and loyalty.

Correlation analysis determined the existence of positive and statistically significant relationships between quality variables and business performance variables. Although all correlations were significant, the greatest impact on achieving business performance, primarily profitability, productivity and market share, was achieved by continuous improvement, fact-based decision making and interpersonal management. These relationships confirmed Hypothesis 1 and indicated that quality variables show statistically significant relationships with business performance variables.

Positives and statistically significant correlations were established between the quality variables and the user satisfaction variables. The impact of people engagement, process approach and interpersonal management on reliability, accountability and interaction with consumers is emphasized. Based on the mentioned relations, Hypothesis 2 was confirmed, i.e. it was determined that the quality variables showed statistically significant relations to the user satisfaction variables.

These relationships between quality variables and customer satisfaction variables were analyzed from the aspect of conducting quality training. It was found that there are statistically significant differences in the correlations achieved between those companies that effectively implement quality training programs and those companies where this is not the case. This confirms Hypothesis 3, i.e. it is confirmed that quality variables show statistically

significant relations to the variables of user satisfaction with the moderating effect of quality training.

Regression analysis found that quality had the greatest impact on improving profitability. When analyzing the individual contribution of quality variables to the improvement of business performance, it was determined that these were leadership and management of mutual relations. When it comes to the impact of quality variables on customer satisfaction, the regression model found that the impact was greatest in relation to customer confidence. The individual contribution of the analyzed quality variables to customer satisfaction was most prominent in the engagement of people and relationship management.

CONCLUSION

The research results presented in this paper confirmed, similarly to previous research, the impact of quality on business performance (Portela & Thanassoulis, 2005; Fening, 2012; Saleem & Raja, 2014; Cvjetković et al., 2017; Bakator et al., 2019) and the customer satisfaction (Osman & Sentosa, 2003; Bostos & Gallega, 2008; Chai et al., 2009; Saleem & Raja, 2014; Blut et al., 2015). The contribution of this research is reflected in the fact that the principles of quality management had been identified, which achieved the greatest impact on improving business performance and customer satisfaction. If organizations want to improve their profitability, which involves the possibility of creating a competitive advantage, and to build trust with their customers, and thus loyalty, they must improve the key principles of quality management that this research has indicated. Above all, organizations need to improve leadership, and to manage and lead their employees adequately through effective leadership skills. Effective engagement of people, through a continuous process of their training and education, opens the possibility for them to express their creative and innovative potential and use their abilities in a similar way in order to achieve the set goals of the organization. Employee training should become the basis of their successful leadership. Furthermore, organizations should develop efficient mutual relations with all interested parties for mutual benefit, in order to satisfy users as efficiently as possible and create loyal consumers. This research can serve company managers to improve the quality management system in organizations, while it provides researchers with a basis for further research in this

area, such as analyzes of various employee training programs in terms of quality.

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UTICAJ KVALITETA NA UNAPREĐENJE POSLOVNIH PERFORMANSI I ZADOVOLJSTVA KORISNIKA

U izrazitoj tržišnoj borbi jedini efikasan način izgradnje dugotrajne konkurentne prednosti bazira se na pružanju visokog nivoa kvaliteta. Nudeći kvalitet tržištu organizacija stvara lojalne potrošače na osnovu kojih ostvaruje svoju profitabilnost, rast i razvoj. Prikazano istraživanje u radu imalo je za cilj da utvrdi uticaj kvaliteta na unapređenje poslovnih performansi i zadovoljstva korisnika. Korelacionom analizom potvrđen je ovaj uticaj na osnovu dobijenih statistički značajnih međusobnih odnosa između analiziranih varijabli. Kvalitet je pokazao da ima uticaj na unapređenje poslovnih performansi organizacije, i to prevashodno na profitabilnost putem unapređenja liderstva i menadžmenta međusobnih odnosa. Uticaj kvaliteta potvrđen je i na zadovoljstvo korisnika, gde su angažovanje ljudi i menadžment međusobnih odnosa ostvarili najveći uticaj na poverenje potrošača. Istraživanjem je potvrđeno da obuka zaposlenih u pogledu kvaliteta ima statistički značajan uticaj na unapređenje zadovoljstva korisnika, ukoliko se ona sprovodi na efikasan način.

Ključne reči: kvalitet, poslovne performanse, zadovoljstvo korisnika, konkurentnost.