Chapter 1
CHAPTER – 1
INTRODUCTION

The human race has always endeavoured to improve its lot since times immemorial. Individually as well as in bigger groups, and in society, the human beings have found resources to be scarce compared with their desires and wants. This quest for such desires and wants has determined the destiny of human beings. The last two centuries have seen formation of colonies and national states, as well as industrial revolution. Also, the world has seen tremendous increase in trade and production during this period. However, the quest for improving the quality of life has further resulted in increased share of services in total production. The human beings have realised the important role, which information technology can play in brightening the future of human race. It is for certain that the lead or lag in information technology know-how is going to decide the extent of prosperity and welfare, or miseries of nations and societies in the twenty first century.

The basis of trade between individuals, firms, societies, or nations has been the differences in comparative advantage among trading partners. As per the theory of international trade for a nation, comparative advantage in production of goods emerges due to differences in factor endowments. A capital-intensive nation, thus, produces more efficiently goods, which require more of capital viz. capital-intensive goods and exports them. On the contrary a nation, which has abundance of labour, will produce a labour intensive goods more efficiently and therefore export them. Based on the same principle, one can state that the nations, which have people with knowledge or which can buy/hire people with
knowledge are likely to thrive in the new knowledge-based economic regime.

1.1 Development of Liberalisation Policy in India:

It is, thus, obvious that difference in factor endowments leads to differences in productivities and cost, thereby giving rise to comparative advantage or disadvantage in production. The firms have resorted to research and development, innovation, efficient methods and techniques of managing and combining resources, and of marketing to maintain their competitive advantage over other players in the market place to retain or increase their market share globally. It is due to this competitive advantage which producers in developed countries have in manufacturing and services, that their income levels are high. But, these results are achieved only where free market economy exists. When India became a sovereign nation, it adopted model of economic development, which assigned a dominant role to public sector, to bring about improvement in the life style of its population. The economy was highly protected from outside competition and even the private sector was highly regulated. Thus, in highly controlled market conditions and in the absence of competition, India became a high-cost economy. Further, these restrictive policies led India to remain aloof from the developments like economic liberalisation etc. Indian industry also ignored latest changes in management practices, which were being adopted by firms internationally particularly in Japan, USA, and other developed countries. Clearly, due to these introvert-working policies, India’s development suffered and other emerging countries like China, South Korea, Singapore, Malaysia, Taiwan etc. were able to achieve much higher rates of economic growth. India realised the problems with
its policies, but the policy changes necessary to correct the situation were half hearted and piece-meal only. In late 1960s and early 1970s, India switched over to outward looking policies from inward looking in an attempt to achieve export-led growth strategy. Later on, in mid 1980s exports were further given a boost and steps were taken to integrate Indian economy to the world economy. However, not much changed and the Indian firms more or less remained functioning in the same obsolete manner. On the other hand, International corporate policies shifted sharply in the 1970s and 1980s towards more reliance on the market. Country after country undertook deep unilateral economic liberalisations. The world was slowly changing into a Global Village.

At last in 1991, the country decided to adopt policies of economic liberalisation with full vigour. Economic policies and the business environment have undergone a dramatic change since then, due to increasing influence of foreign investment, competition and globalisation. All these environmental changes have brought about significant change, in the way, the Indian firms are operating. They are attempting to restructure themselves by incorporating changes in management of firm. India has been witnessing the dramatic changes brought in by the New Economic Policy initiated by the Government of India in June 1991. India, during last 12 years, has entered a bold new era and trying to make a place for herself in the world economy. India is passing through the stage of transitional economy and undergoing the difficult phases of making structural changes in trade, finance, industrial sectors, and capital markets. These changes have hastened the process of globalisation. The 1990s has been an anxious decade for the Indian Industries.
The Indian corporate sector in the global perspective is undergoing a sea change during the last decade. Shrinking space, shrinking time, and shrinking borders are linking business of the world more steadfastly, and more intensely than ever before. This fast changing phenomenon, unprecedented in its character, will give rise to entirely different corporate world in the coming years. Liberalisation process initiated by the Government of India has created a very positive impact on the Indian Corporate Sector.

In his address, Dr. Sailendra Narain has described ‘Impacts of Liberalisation’ on Corporate Sector in India\(^1\), briefly as under:

- Macro-economic balance and inflation control have lent more confidence and brought in the ‘feel good’ factor with greater stability in operations.
- With dismantling of industrial licensing and production controls, companies are free to decide – what to produce, how much to produce, where to produce and how to produce.
- Liberalisation policy has resulted in:
  - Disintermediation and greater access towards capital markets,
  - Increased inflow of foreign capital into the corporate sector, and
  - Access to international debt and capital markets.
- The increased competition has forced them to modernise and adopt improved commercial and management practices with emphasis on technology and quality upgradation, greater

\(^1\) Dr. Sailendra Narain, Oriental Art of Modern Management – A valedictory address at AIMS Convention 1999 (XLRI, Jamshedpur) Aug. 28, 1999, p.8
efficiency through automation, ERP etc. and focus towards minimisation of costs.

- Lower corporate taxes have led to increase in retained earnings for future investments.
- New forms of financial instruments have been designed suiting the needs of investors.
- Mergers, take-overs, acquisitions etc. have become more common.
- Intellectual property rights have assumed more importance.
- Improved corporate rights have assumed more importance.
- Trade liberalisations have brought in greater flexibility in operations through better access to imported raw materials/capital goods at lower duties.
- Transparency in operations has increased.
- Tax Administration has become simpler and somewhat friendlier. MODVAT and movement towards VAT has reduced the cost of inputs and overall reduction in excise/customs duties have led to a general increase in the demand for companies’ products.
- Public sector performance has generally improved. Public Sector Undertakings have more autonomy in functioning and disinvestments have put in pressure to move with the market.
- Role of service sector is gradually increasing. Some of the sectors like IT / Software have performed exceedingly well.

It will be necessary for the corporate world to follow a new set of management principles. It will have to pursue management practices, which will fulfil the requirements, expressed in the Human Development Report 1999:
Globalisation expands the opportunities for unprecedented human advance for some but shrinks those opportunities for others and erodes human security. It is integrating economy, culture, and governance but fragmenting societies. Driven by commercial market forces, globalisation in this era seeks to promote economic efficiency, generate growth and yield profits. But it misses out on the goals of equity, poverty eradication and enhanced human security.

To pursue human development, globalisation has to mean:

- **Ethics**: less, not more violation of human right and disregard of human values.
- **Development**: less, not more poverty of countries and people.
- **Equity**: less, not more disparity between and within nations and generations.
- **Inclusion**: less, not more marginalisation and exclusion of countries and people.
- **Human security**: less, not more vulnerability of countries and people.
- **Sustainability**: less, not more depletion and degradation of the environment.²

In today's world, management has become a challengeable task. Management as a science is advancing very fast in every aspect. New concepts, theories, and new techniques are emerging every day all over the world. Environment is also changing very rapidly. Today a manager has to keep pace not only with the changing environment but also to be

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in touch with expanding horizons of knowledge in his respective managerial area. This is a demanding task. In such a world, if a manager wants to manage his business in an efficient and effective way, he needs to fine-tune management tools and techniques in order to make them more suitable to business and socio-economic environment.

1.2 Quality: A Strategic tool for competitiveness:

In a globalised industrial environment, having characteristics of increasing competition, increasing level of product performance, complex situations, and necessity of reliability, an effective, efficient, and long lasting company-wide implementable programme has become an absolute necessity. It is, therefore, very essential that a permanent care is taken of the quality of products/services if a successful and competitive business is to be run in a free market. The new global business environment is driven by the ability of companies to compete in the international market. Quality is globally recognised as an essential ingredient of competitiveness and has out-scored all other factors. In today’s competitive business environment, quality is viewed as a strategy that permeates every phase of operations management. In order to succeed in today’s more competitive business arena, any business ought to have customer oriented, i.e. quality based marketing, operational, and financial strategies.

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Quality products and services will help the companies not only in entering the global competitive market, but also in sustaining their position with a competitive edge. They will have to think constantly about their customers and continuously attempt to provide them with innovative and superior value for money they pay for companies' products and services.

In fact, quality has always been a paramount feature of Production Management. Many theories have been propounded over the years for producing a quality product. Indian companies have also realised the necessity of producing quality products in light of the competition arising due to globalisation. Earlier quality aspects and requirements were decided in the R&D department, and the maintenance of the quality was in the hands of the inspection department. However, now the market, on the basis of what customer demands, has to decide the quality. Quality is being talked with different dimensions and attitude. It is being improved with the new development in technology and management techniques.

1.3 Quality Management and ISO 9000:

In the business world of competitiveness, expectations of quality products by the customers are increasing. A paradigm shift in the thought process of the customers and the management of an organisation is taking place. Since, the beginning of 1990s, the term ISO 9000 is being discussed for quality and reliability. It is one of the most widely recognised quality management tools to develop a system in an organisation for delivering consistently reliable quality, which is
acceptable to the customers. It is argued that these standards are also trying to improve the quality without incurring additional costs. In Indian business environment, in fact, the ISO 9000 series of standards are becoming an important part of the business through its overwhelming acceptance and usage. Every week, corporate world makes announcements in newspapers and other media regarding their obtaining ISO certification.

As per the press release no. 864\(^6\) dated 28\(^{th}\) July 2003 of International Organization for Standardization, “A total of 6,11,209 management systems certified as conforming to ISO 9000 (quality management) standards or to ISO 14001 (environmental management) were being implemented by organizations worldwide at the end of 2002, compared to 5,47,381 a year earlier. Up to the end of December 2002, at least 5,61,747 certificates of conformity to ISO 9000 standards had been issued in 159 countries and economies, an increase of 51,131 (+10.02\%) over the end of December 2001, when the total stood at 5,10,616 in 161 countries. The top ten countries for growth in the number of ISO 9000 certificates were: China (+17,972), Italy (13,103), Spain (10,941), Japan (6,579), Hungary (2,892), Czech Republic (2,862), India (2,556), USA (1,901), Singapore (1,866) and Switzerland (1,694)”.

The continued growth of certification to ISO management system standards of International Organization for Standardization is revealed in the newly published 12th cycle of \textit{The ISO Survey}\(^7\). This annual survey provides a snapshot of the worldwide impact of ISO’s best-

known standards. As per this survey, 8,110 companies are certified under ISO 9000 certification in India as on 31st December 2002.

In this context, it would be interesting for one to study quality management in Indian companies through ISO 9000. What forces are responsible for such speedy growth of ISO certification? What problems do the companies face in obtaining and maintaining the certification? What are the expectations of the companies and what benefits do companies achieve by getting ISO certification? What benefits, if any, accrue to the customers because of the ISO certification?

These are some issues, which have created an interest for the study of ISO 9000 certified companies in India. This study is a step in this direction. Efforts have been made to find the answers to the questions stated in the preceding paragraphs and also understand the other effects of the ISO standards.

1.4 Chapter Plan:

This thesis is written in six chapters. After this first chapter of Introduction, second chapter is on quality management. In this chapter, various dimensions of the quality have been discussed, and an extensive literature survey pertaining to quality management and these dimensions has been presented. A separate third chapter has been devoted to ISO 9000, and a critical review of literature on different aspects of ISO has been carried out. It also gives by and large complete details of International Organization for Standardization. It was considered expedient to discuss these two topics separately in second and third chapters respectively, as both the topics deserved separate treatment
because of their vastness. Fourth chapter discusses the details of present study and research methodology. In fifth chapter, primary data obtained through the administration of the questionnaire are analysed and from such analysed data interpretations are made. Various statistical tools like mean, standard deviation, ‘t’ test, one-way ANOVA, Factor analysis, Discriminant analysis, etc. have been used for analysis. Finally, chapter 6 presents findings and the recommendations. In this chapter, limitations of the study are given and suggestions for further study are also made.