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| <p><b>IMPACT OF QUALITY STANDARDS<br/>DEVELOPMENT OF ENTERPRISES IN THE<br/>WESTERN BALKANS FOR THE EUROPEAN<br/>UNION MARKETS</b></p>  |  | <p><b>Economics</b></p> <p><b>Keywords:</b> quality management, competition, European Union west Balkan market.</p> |
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| <p style="text-align: center;"><b>Abstract</b></p> <p>European competition is characterized by the supply of high quality products and strong marketing activities. The relationship between quality standards is direct and pronounced as interdependent. The necessity for European standards and quality of products and services is important and necessary to protect the local and regional market and at the same time to break into European markets. Bearing in mind when our road is open to the European Union market, the European companies' pathways to our markets are open as well. This paper shows the influence of the international standards for import and export between the European Union and the Western Balkans.</p> |  |   |

## Introduction

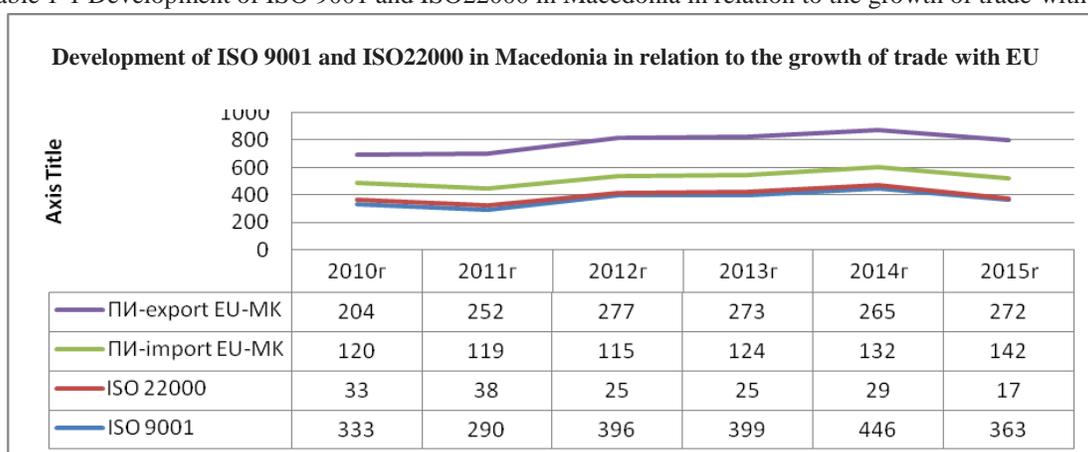
All the countries of the Western Balkans are on their way to the European Union, which hosts a large market, but at the same time it is also a market for the competitiveness of the powerful. For the countries of the Western Balkan region to be able to bear that competition, that is, in order to break into the EU markets, important are, apart from the various factors of economic and political nature, there are other factors that influence the development of the economy. For countries in the Western Balkans region to be able to go out and compete in the markets at European and international levels, the key role is the quality of products and services that must meet the requirements of national legislation and market fond standards, but also international standards, among which are ISO9001 and ISO22000. It is therefore necessary that enterprises that are on the road to standardization meet the internationally required level, in order to go to the "big" market, to consider that meeting these standards is not a simple technical formality. They must be realistic, essentially prepared, because they need to know that European companies are already proven quality in accordance with international standards, and the European market is going on a two-way street: the road will be open to competition in our markets. Below we will be able to follow the spreadsheet figures that indicate that in parallel with the growth of enterprises certified by ISO standards, imports are increasing, but evenly, and exports, among the Balkan countries with those of the European Union. We need to know that most of the major export and import countries are richer countries such as the US, Germany, France, Britain and Italy (John D. Daniels et al., Skopje, 2011, p.5). In the tables: from 1-1 to 1-8 data are included for each of the countries of the Western Balkans - Macedonia, Kosovo, Albania, Montenegro and Serbia.

The purpose of the graph is to monitor the situation in these countries, according to the state statistical offices, the certification with ISO9001 and ISO 22000 quality standards and the import / export (trade exchange) between them and the EU countries, according to EU statistics for the

period 2010 - 2014. Hence, it is clear that the growth of the trade is parallel to the certification, which clearly points out the perspectives regarding the quality systems. Immediately under the tabular presentation of this analysis, we can separately follow the situation in the Republic of Macedonia on this basis. (For the evolution and development of ISO 9001 and ISO 22000 in the Republic of Macedonia, more details are given in the chapter on the State of Food Industry of the Republic of Macedonia in terms of quality standards.)

If we look at Table 1-1, it is clear that the development of quality standards ISO9001 management system standard and ISO22000 for food safety in the food industry in terms of export growth towards the European Union is moving in parallel, that is, it can be said that ISO standards are one of the key to the development and economy of a country.

Table 1-1 Development of ISO 9001 and ISO22000 in Macedonia in relation to the growth of trade with EU



Source: Eurostat Comext, Eurostat Comext, EU Trade flows and balance, annual data 2006 – 2016, report data 2016

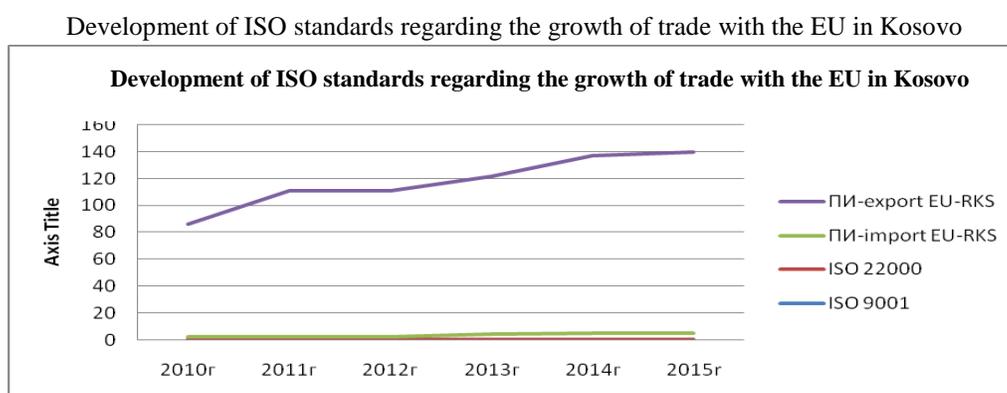
The graph gives data on the development of two of the most implemented ISO standards, ISO 9001 and ISO22000, in parallel with the export from the Republic of Macedonia to EU countries. It can be traced that the curve moves in parallel with the process of certification of enterprises.

After the period of the economic crisis in 2011, the continuous increase in exports to the EU has continued from 2013 (compared to 2010: 3.3% in 2013, 10% in 2014, 18.3% in 2015), and at the same time, the number of issued certificates for ISO 9001, as the most implemented ISO standard, is growing (18.9% in 2012, 19.8% in 2013, 33.9% in 2014, 9% in 2015). Such a parallel, growing trend is being observed in all countries in the Western Balkan region. The Republic of Kosovo is a new country and for it there are no statistical data from ISO International Standards Organization, the data are taken from the program of the BAS office of European banks.

Hence, we see (Table 1-2) that 137 enterprises were standardized in 2013, and in the next year, 2014, this number increased by 30%. Growth is also evident in 2015. The companies are

from different sectors, and in 2013 they mainly came from the construction sector, some of them were enterprises that worked on infrastructure projects, as associates of foreign companies and / or subcontractors in the territory of Kosovo. Also, there is a great number of enterprises engaged in production and processing, mainly for the purpose of exporting to external markets.

The export ratio from Kosovo to the European Union is still very uneven, in fact, it is being imported more than it is exported to the EU member states. The perspective, as well as for other countries in the Western Balkans region, is clear - the number of certified enterprises must be increased according to international quality standards, in order to align this ratio, ie to reduce the difference between the import and export of products. (The evolution and development of ISO9001 and ISO22000 in the Republic of Kosovo is described in more details in the chapter on the Status of the Food Industry of the Republic of Kosovo in terms of quality standards.)



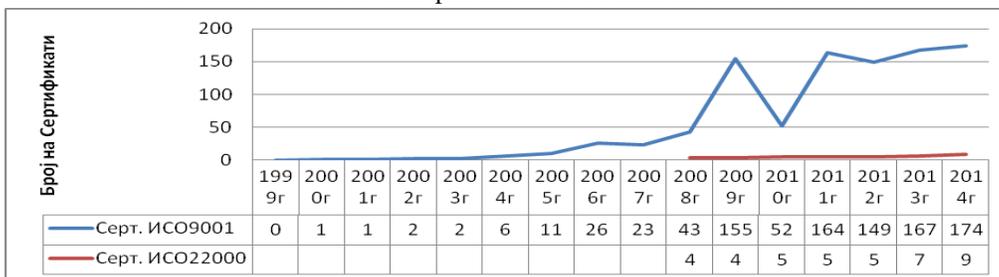
Source: Eurostat Comext, Eurostat Comext, EU Trade flows and balance, annual data 2006–2016, report data 2016.

|                  | 2010 yr | 2011yr | 2012yr | 2013yr | 2014yr | 2015yr |
|------------------|---------|--------|--------|--------|--------|--------|
| ISO 9001         |         |        |        |        |        |        |
| ISO 22000        |         |        |        |        |        |        |
| ПИ-import EU-RKS | 2       | 2      | 2      | 4      | 5      | 5      |
| ПИ-export EU-RKS | 84      | 109    | 109    | 118    | 132    | 135    |

Table 1-3 shows the history of the development of ISO9001 and ISO22000 in the Republic of Albania since 2000. The quality management system ISO 9001 in Albania has existed since 2000. Quality management standard in Albania marked its record according to applications and interest in 2009 (about 155 certificates), and in 2010 the same interest did not go in, but almost doubled to 52 certificates, in 2014 there were 174 certified enterprises with ISO9001. Implementation of food safety standards ISO 22000 begins in 2008 with a modest number of 4 certificates, which in 2014, although an increase of more than double (125%) is still modest - 9 certificate. For comparison, a similar trend in the development of a standard in Bangladesh has shown that even small steps can make a major step forward in the development of food safety standards ISO 22000.

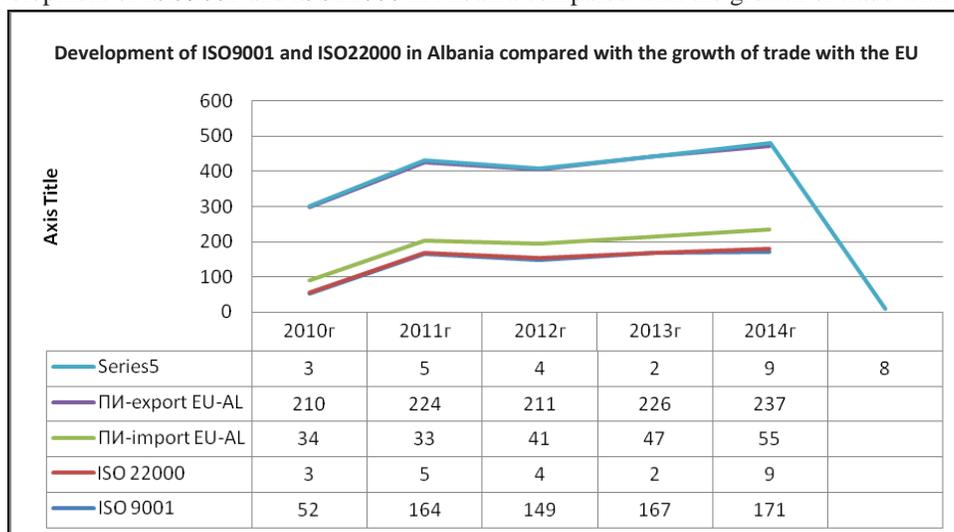
According to this experience, in Albania, an ever faster pace of development and application of quality standards in the coming years can be expected, especially due to the great importance of these international standards.

Table1-3 Evolution and development of ISO9001 and ISO22000 in Albania



Source: International Standardization Organization, 2016

Table 1-4 Development of ISO9001 and ISO22000 in Albania compared with the growth of trade with the EU



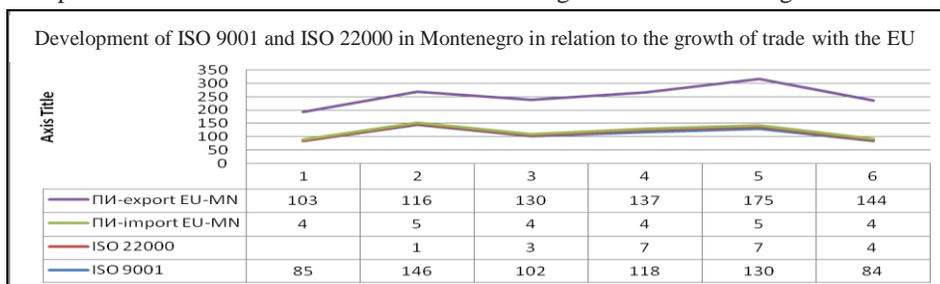
Source: Eurostat Comext, Eurostat Comext, EU Trade flows and balance, annual data 2006–2016, report data 2016.

|                 | 2010yr | 2011yr | 2012yr | 2013yr | 2014yr | 2015yr |
|-----------------|--------|--------|--------|--------|--------|--------|
| ISO 9001        | 52     | 164    | 149    | 167    | 171    | 279    |
| ISO 22000       | 3      | 5      | 4      | 2      | 9      | 8      |
| ПИ-import EU-AL | 34     | 33     | 41     | 47     | 55     | 70     |
| ПИ-export EU-AL | 210    | 224    | 211    | 226    | 237    | 255    |

In Albania, as with other countries in the Western Balkan region, there is a parallel trend of growth in the number of certified enterprises for the application of international standards with the growth of exports to EU countries. In particular, exports to the EU increased by 105.8% in the period 2010-2015, and in the same period the number of enterprises that implemented the standardization systems ISO9001 and ISO22000 grew by 78.7% calculated according to the situation of 2009, or even 403,6% compared to 2010. As in the case of the Republic of Macedonia, the same perspective applies to Albania, ISO standards are more able to offer quality products and

services in accordance with local laws and regulations and with international standards. Also, Montenegro as a young country, shows a similar development trend as other Western Balkan countries. In the absence of opportunities to provide a reliable product for the domestic market, imports from the markets of the European Union are many times greater than exports to the European Union. The same conclusions apply to Montenegro: the certificates and the application of international quality standards are a perspective for reducing that difference.

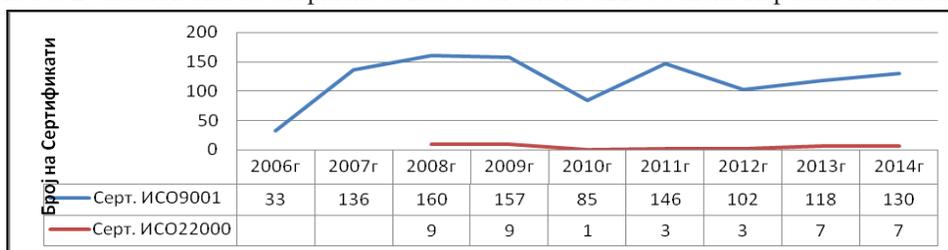
Table 1-6 Development of ISO 9001 and ISO 22000 in Montenegro in relation to the growth of trade with the EU



Source: International Standardization Organization, 2016, Eurostat Comext, *Eurostat Comext, EU Trade flows and balance, annual data 2006 – 2016, report data 2016.*

|                 | 2010yr | 2011yr | 2012yr | 2013yr | 2014yr | 2015yr |
|-----------------|--------|--------|--------|--------|--------|--------|
| ISO 9001        | 85     | 146    | 102    | 118    | 130    | 84     |
| ISO 22000       |        | 1      | 3      | 7      | 7      | 4      |
| ПИ-import EU-MN | 4      | 5      | 4      | 4      | 5      | 4      |
| ПИ-export EU-MN | 103    | 116    | 130    | 137    | 175    | 144    |

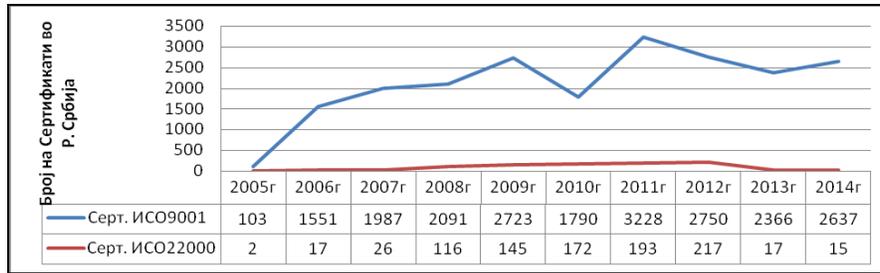
Table 1-5 Evaluation and development of ISO 9001 and ISO22000 in the Republic of Montenegro



Source: International Organization for Standardization, 2016, Eurostat Comext, *Eurostat Comext, EU Trade flows and balance, annual data 2006 – 2016, report data 2016.*

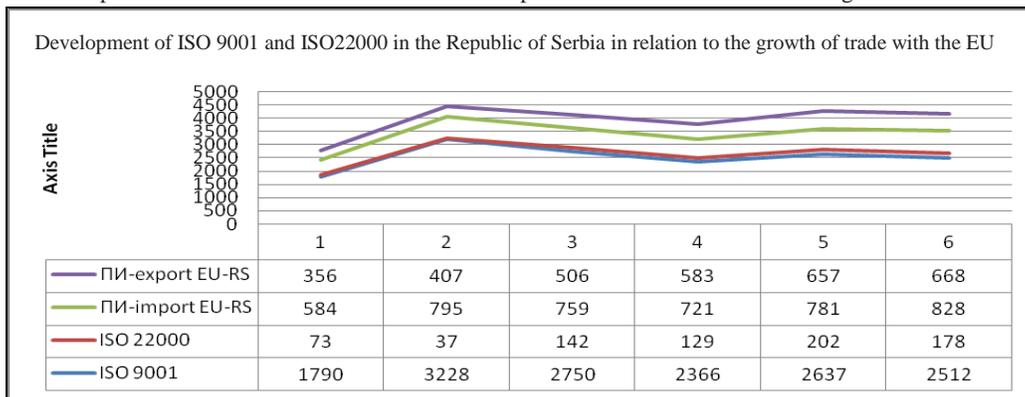
In Serbia, as a country with a larger territory and population, unlike other Western Balkan countries, the figures are higher, but at the same time economic developments are almost the same as in other Western Balkan countries. Unlike other countries, the implementation of standards in Serbia has a solid foundation on the foundations of the former standards center, JUS (<http://www.iss.rs>). This is a country that shows a higher perspective on quality standards as well as economic development reflected through the relationship between imports and exports with the European Union; unlike other countries in the Western Balkans, exports from Serbia to the European Union are more equal with imports, which is not the case in other Balkan countries, where imports are much higher than exports.

Table 1-7 Evaluation and development of ISO 9001 and ISO22000 in the Republic of Serbia



Source: International Organization for Standardization, 2016, Eurostat Comext, *Eurostat Comext, EU Trade flows and balance, annual data 2006 – 2016, report data 2016.*

Table 1-8 Development of ISO 9001 and ISO22000 in the Republic of Serbia in relation to the growth of trade with the EU



Source: International Organization for Standardization, 2016, Eurostat Comext, *Eurostat Comext, EU Trade flows and balance, annual data 2006 – 2016, report data 2016.*

|                 | 2010yr | 2011yr | 2012yr | 2013yr | 2014yr | 2015yr |
|-----------------|--------|--------|--------|--------|--------|--------|
| ISO 9001        | 1790   | 3228   | 2750   | 2366   | 2637   | 2512   |
| ISO 22000       | 73     | 37     | 142    | 129    | 202    | 178    |
| ПИ-import EU-RS | 584    | 795    | 759    | 721    | 781    | 828    |
| ПИ-export EU-RS | 356    | 407    | 506    | 583    | 657    | 668    |

\* In the spreadsheets of all countries in the Western Balkan region for 2015, those enterprises that are in the process of renewal of certificates are not covered, in particular in the phase of harmonization with the new version of ISO 9001.

But the production process does not end with the end of the product, but with its sale. Hence, an important element are the attributes that vendors should possess: which can be divided into: desired qualities (eg honesty, accuracy, patience, etc.); undesirable features and features that accept intolerance among consumers. The success of selling depends on a lot of sales staff and their training (Ristevska-Jovanovska, 2013) And Philip Kotler points to the important role of having a functioning system in an enterprise to identify good marketing strategies as presented in Table 1-9.

Table 1-9 Sales and general marketing purposes

| Price   | High |                      | Low                  |
|---------|------|----------------------|----------------------|
| Quality | High | Premium Strategies   | Good Value Strategy  |
|         | Low  | Strategy of Gluttony | An economic strategy |

Source: Kotler P, Wong V, Saunders J., Armstrong G. "Principles of Marketing" Pearson Education Limited, 2005, Page 689.

Figure 5.4-6 shows four possible positioning strategies. First, the company may decide to use a premium price strategy - to produce a high-quality product and to charge the highest price. At the other extreme, you can opt for an economical pricing strategy - to produce lower quality of the product, but to charge a low price. These strategies can coexist on the same market as long as the market consists of at least two groups of buyers, those looking for quality and those who are looking for a price. The concept of sales is focused from within to out, focusing on existing products and aggressive sales in order to sell what is being produced rather than produce what the client wants. Using a strategy of gluttony, the company exceeds the product in terms of its quality. In the long run, however, users are likely to feel cheated. They will stop buying the product and will complain to others about it. Thus, this strategy should be avoided. Enterprises that carry an innovative, protected product face the challenge of setting prices for the first time. They can choose between two strategies: prices for market penetration or penetration rates on the market.

## Conclusion

The European market is of great importance for the Western Balkan countries' organizations because the markets of these countries are too small and economic operators are forced not only for a contemporary technology, professional staff, but for the maintenance of their companies and markets standards are mandatory for a safer future. The need for European and international standards in the overall manufacturing and service process is competitive and in integration with the European and global economy.

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