



**THE COMPARATIVE STUDY ON THE FINANCIAL
PERFORMANCE OF CERTIFIED AND NON
CERTIFIED COMPANY BASED ON ISO 9000
CERTIFICATION**

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ABSTRACT

The ISO 9000 series of quality management systems standards, introduced in 1986, has been adopted at over 560,000 locations worldwide. Past evidence suggests that firms can achieve internal benefits such as quality or productivity improvements or that certification can help firms maintain or increase their market share, or both. Others argue that the standard is too generic to cause performance improvement and high in cost. Nevertheless, it also can be seen as a signal of good management. This study main objective is to compare the financial performance of manufacturing companies (consumer products and industrial products counters) publicly traded in Bursa Malaysia. Sample comprises 40 ISO 9000 certified companies, and 40 non certified companies. The performance evaluation was developed on five measurement predictors that include ROA (Return on asset), ROE (Return on equity), PRO (COGS/Sales), SALESG (Sales growth) and NPM (Net profit margin). The time frame of this study was from 2000 to 2006 on annually basis. In analyzed the data, this study used independent group t-test. It is an appropriate way in comparing two set of data that is heterogeneous. In comparing the performance of the group, each variable are compared using mean.

After being tested and result shown a significant value, all of those five variables for certified companies are compared to uncertified companies using mean. The result showed that all of the certified companies' variables outperformed the non-certified company's variables. Lastly, this study has concluded that there are an association between ISO 9000 registration and performance of manufacturing companies in Malaysia.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Nowadays, most companies are rush for ISO 9000 certification. But, there are critics on the implementation. Some said that the cost of certification has outweighed the benefits (Curtovic and Pagell, 1999). So, this study is done to proof that the argument was wrong.

1.1.1 The History of ISO 9000

Hakes, (1998) found that after the Second World War pressure for quality came from the military. As a result, 05 series of Ministry of Defense (MoD) quality standards and the Allied Quality Assurance Publication (AQAP) series of NATO standards were born. Major companies in the automotive industry began to establish their own quality system standards and assess their suppliers. In order to control the increase of different types of quality system standards and to reduce the multiple assessments, the British Standards Institution (BSI) eventually developed the military standards into BS 5750 series (Parts 1, 2 and 3: 1979). Since then, they have been used as the source for the ISO 9000 series.

1.1.2 What is ISO 9000?

ISO 9000 is a family of standards for quality management systems. ISO 9000 is maintained by ISO, the International Organization for Standardization and is administered by accreditation and certification