



QUALITY MANAGEMENT AND CORPORATE GOVERNANCE OF ROMANIAN INDUSTRIAL COMPANIES THROUGH THEIR WEB-BASED COMMUNICATION

Levente Attila BAKOS

Sapientia EMTE, Department of Mechanical Engineering, bakos@ms.sapientia.ro

Abstract

Contemporary quality management is a more complex issue than first impressions might suggest. In order to continuously assure a certain quality level, it is necessary, albeit far from sufficient, to create optimal technical conditions. Some non-productive activities can also be crucial in quality assurance. We considered the quality manager and the manager for public relations/social responsibility to be of particular importance in this issue. In our research, we examine to what extent the two roles are present in some Romanian organizations. The research sample is 158 companies, of which 92 are companies showing outstanding performance at the national level, and 66 are predominantly small and medium-sized local companies from Transylvania. The data show that there is little difference between the two types of company in the area of social responsibility, while there is a significant difference in the case of corporate governance based on OECD principles. While, at local level, the quality assurance details are somehow hidden, or less visible due to some kind of indolence, the lack of corporate governance is obvious, the companies -if they apply these principles- show transparency, accountability.

Keywords: *quality management, quality, corporate governance, corporate social responsibility, Public Relations in industry.*

1. Introduction

Even the smallest production company is aware that to meet high quality standards it is far from sufficient to properly design the products and production processes. The available workforce, production-supporting processes and the degree of commitment of the management are just few of the factors that directly determine the quality of the products. The concept of quality today is becoming broader than ever. It depends on previously unexamined factors such as the stakeholder identification accuracy, environmental parameters, digitization level, socio-psychological conditions, ethical and legal norms. All these components may contribute to what we mean by quality today. [1]

Total quality management presumes today to improve all processes within the organization – including its supply chain- in order to exceed current and future customer needs. [2] Today,

quality is now not only the direct responsibility of the engineers and managers, but of all people working in the organization. All areas of activity call for attention to dimensions that no one previously considered to be performance factors in industrial systems.

2. Quality and leadership

The advanced quality management principles, methods and techniques, developed especially in industrial systems, have become widespread management principles, even in many non-industrial fields. [3] Quality management methods, as theory and practice, have a clear positive and direct impact on product and process innovation. They can also improve indicators such as customer/employee satisfaction or market share. [4]

As we can see, quality assurance is a definitively more complex process than it may first appear.

While quality is primarily the result of an activity (based on the real or induced qualities of the product, shaped in the mind of the consumer), quality assurance is the ability of an organisation to produce a certain level of quality on a continuous and sustainable basis. To achieve this, it is far from sufficient to have the right technical conditions (e.g. proper equipment, carefully made technology design, right machine set-up and skilful operators), it is necessary within an overall supportive organisational environment. In fact, only a fraction of quality management activities and decisions relate to actual technological issues. In real context, several other processes usually require funding and senior management attention to provide a constant quality level. The lack of funding for some non-productive activities means in fact a breach of quality management principles and a lack of management support. Under current standards and concepts, the responsibility for quality assurance lies on the top management of the enterprise in all circumstances. The first evidence of the absence of full commitment is the unwillingness of managers to develop clear job descriptions in the organization (primarily in the quality assurance field). As a starting point for our research, we set out to investigate if there are clearly separated roles defined to support the work of top managers regarding quality assurance. In our assumption, each organization –in order to achieve a constant quality level of its products- must define an organizational chart with clearly visible roles, both for internal and external stakeholders. We investigated the existence of two of key positions regarding the quality management: The Quality Manager and the Public Relations/Social Responsibility Officer/Manager.

3. Quality and public relations

Companies operating in industrial environments, by proper CSR communication, can significantly increase their firm-value. [5] Guo et al. demonstrated that this increase in firm's value, even though in lesser extent, is present and enhances the firm's reputation in the industry even when it has to operate in a controversial and conflicting context at a given moment. [6]

While the optimal technical and organisational conditions for the best quality standards are just a small part of the quality management activity, the management must demonstrate and promote these capabilities in many other contexts. If the

measurable technical features of the product are inferior comparatively to competing brands, market success depends on the salespeople, marketers and, not least, those who are managing the reputation and image of the company. It is their job to make the product competitive even if it is not technically so competitive. In such circumstances, the marketing and PR specialist becomes as important a player as the engineers responsible for the production process.

Quality management methods often imply a significant change in organisational culture. Most of the companies around the world try to achieve this upgrade using Japanese or American recipes. Unfortunately, these practices may differ significantly from the domestic organisational culture, containing foreign clichés, slogans and working methods that are difficult to assimilate, especially at the level of the workers. The EFQM quality management model [7], which is a bit closer to the European business culture, is to some extent an exception. However, even when adapting EFQM, it is important to involve both technical managers and communication experts to facilitate the change. Some PR techniques may help the introduction of changes and support to achieve the objectives set. A PR professional, with his knowledge of the art of communication, can facilitate the work of those who are responsible for implementing these modern management concepts. The first condition for QM and PR professionals to work together is that both roles exist within the structure of the organisation. We explicitly sought and examined this in our research. At the same time, we studied a less obvious image-building issue, namely, how quality management and CSR (Corporate Social Responsibility) may contribute. Obviously, it is a blinkered view to classify QM and CSR activities as conscious image-building task, but certainly, there are some connections to it. Empirical studies, through statistical measurements, proved that the emphasis on CSR, TQM and proper Corporate Governance contributes to a high level of sustainability of the organisation [8]. Today, there is no doubt that CSR has a significant role in competitiveness. In a similar study to ours, G&A Institute, found that 92% of companies on the S&P500 list regularly report on their sustainability activities [9]. In our research, we did not find a single multinational company without CSR information on their website. As a rule, the CSR acronym is present on the first page of the website. It is obvious that the CSR activity has measurable impact on financial

results, customer relations, risk management, human resource management, innovation capacity, on anything that has a direct bearing on what we mean today by quality. It is no longer a social desire, but a condition of being on market to demonstrate the responsibility and openness to handle some of issues defined by the community in which the organization acts [10]. The EU institutions [11, 12] the International Organisation for Standardisation ISO [13], and the OECD [14], are formulating recommendations, guiding principles and standards to create a consistent, uniform CSR framework.

4. Corporate governance principles and CSR

There several similarities between the concept of corporate social responsibility and the concept of corporate governance, to such an extent that it is worthwhile to distinguish the two areas in academic analyses. [15] Our research confirmed these similarities on several points, and of course, we succeed to point out some of the differences. The OECD concept of corporate governance (CG) is a more formalised set of governance principles, in a legal sense, in contrast to the CSR concept, which argues for a commitment above the legal framework. Furthermore, CG focuses primarily on internal mechanisms, whereas CSR focuses more on the external environment of the organisation.

Few decades ago, corporate governance was a new topic even for practitioners, but nowadays it is in the focus of the European Union, the OECD, the World Bank and the International Monetary Fund, and its literature is growing exponentially [15]. The OECD (Organisation for Economic Co-operation and Development) is one of the world's most important organisations for economic cooperation between countries, currently with 38 member states, and membership is a matter of prestige. Its aim is to coordinate the best possible economic and social policies for the member states, and addresses specific issues such as corporate governance at the company level. [16] In Romania, the OECD principles of CG is a mandatory standard in the case of state companies. In order to become a full member, the state encourages adopting the CD principles at all companies, being compulsory –setting by the OG109 regulation- [17], to all state companies. Notwithstanding this, CG management is also prevalent in multinational companies, as well as in listed

companies. Today, it is common that prospective business partners, before entering into their first direct contact, inquire about their governance model and about the way this is actually put into practice in site. Actually, this analysis may consist of the examination of all the three mentioned areas (QM, CSR and CG) simultaneously. Through the analysis of QM, it should be relevant to see the level of compatibility of the two organizations regarding quality standards and commitment to quality. In the case of reputation management and CSR it should be interesting to see sensitivity to public interest issues and the level willingness to take conscious responsibility. Last, but definitely not least, the existence a visible CG governance model can reassure that a prospective business partner has a transparent, well-regulated and legally accountable relationship with its stakeholders. It is safe to say that all three aspects and activities are of paramount importance in building a company's image, not only in meeting customers' expectations, but also in building partnerships. In our research, we investigate the extent to which the above three aspects are reflected in the organisation chart of Romanian companies, especially at local small and medium-sized enterprises.

5. Research results

Our research methodology, among the different methodologies of social sciences, falls into the category of content analysis (see e.g. [18]) We proposed to evaluate how the investigated companies reveal their staff for quality management and public relations/corporate social responsibility, based on their website. Data collection took place from August to November 2022. The study sample consists of 158 companies located in Romania. In the first phase of the research, we surveyed large companies. The selection was based on publicly available data from several web sources [19, 20]. We did not necessarily aim at a top-list search, neither by turnover, nor by the profit of the previous years, nor by number of employees. The search criteria for certain types of manufacturing companies was based on their CAEN code (the code system for classifying economic activities in Romania). [21] In spite of the fact that several data were available, it was not our intention to identify the largest industrial companies (measured by any parameter), nor is accurate accounting data relevant to the analysis. The aim is to compare the situation of the leading companies in certain industries with that of

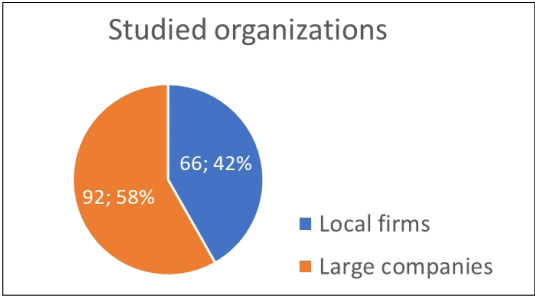


Figure 1. AThe type of the surveyed companies

companies operating in similar fields in our own region (Mureş and Harghita counties). In the second half of the research, these companies were analysed. These firms, being manufacturing companies, actually are not acting locally, as many of them are present in global markets. Still, due to their size (small and medium-sized companies) and location, we will name them as local companies. Figure 1 gives an indication of the classification of the companies surveyed, according to whether they are major companies at national level or local small/medium sized companies. We can see in the picture, that we have slightly more large companies, as they were relatively easier to identify from the sources.

After identification of firms, we searched for data related to quality management and social responsibility. The search sequence was as follows:

- 1.Organisation chart
- 2.CV of managers/ description of the organisational sub-units
- 3.News feed
- 4.Body text

As a first step, we looked to see if the organisational chart was available on the website and, if so, whether quality management and corporate social responsibility as separate activities are present on the chart. During the analysis, we found that the organisational chart is generally not publicly available, as only 24 of the 158 companies surveyed had an organisational chart on their website. Where we did not find the chart, or where there was no separate quality management or responsibility evident role, we did a second search to identify the two functions. This time we searched for data on the CVs of the management and/or the description/presentation of certain organisational sub-units. If the first two criteria search did not yield data, we searched for data in the news feeds or the content section of the website. We show the source of our data in figure 2.

The abbreviations CSR and QM in the figure are only labels, as they indicate the research study question in a very narrow sense. The CSR designation was used to refer not only to persons/activities involved in CSR, but also more broadly to everything related to public relations, stakeholder management, lobbying, customer relationship management and other related areas. We decided to use the acronym CSR because we were looking primarily for activities related to the issue of corporate social responsibility. If, during the analysis, we found communication related to only one of the areas listed, i.e. only to image, lobby relations or customer relations, we did not consider the company responsible in a social sense, as we believe, it focuses on only one narrow area, probably driven by self-interest. As far as the term QM

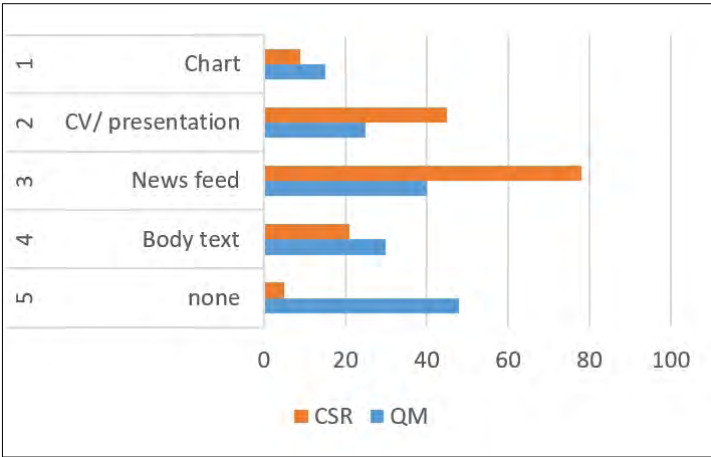


Figure 2. Source of data.

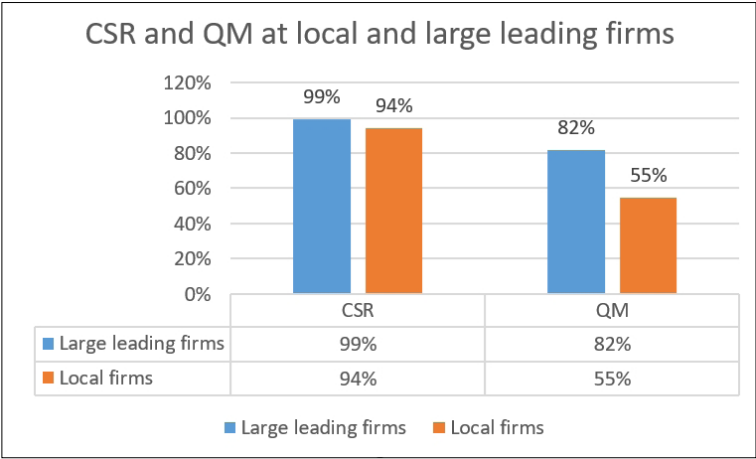


Figure 3. Corporate social responsibility and quality management-

is concerned, we do not necessarily mean QM as used in a technical context. Quality management and control should be focused not only on manufacturing processes, but also on all other activities (from purchasing to after-sales service), as well. The second figure also shows that we have found among the companies surveyed several that did not include any information at all related to quality management or social responsibility. These all were small local companies. Since the main driving force of the research was to understand the situation of local companies, and to compare these companies with market leaders, in the field of quality management, the comparison was mainly made in the above two areas. Figure 3 compares the difference between CSR and QM for the two types of companies, based on the data found on the companies' websites.

The data show that with regard to CSR the difference is less than 5% between the two types of companies. Most of the companies treat their websites as an important tool to show their commitment to social issues. Even for the smaller companies, it seems to be important to indicate that they are active in their social environment, at some level. Most of the studied websites did not present a clear connection between CSR and quality management activities. This is actually a good thing, since this relationship should not even appear; CSR contributes to the overall quality precisely by not linking it to the product or service produced during the core activity.

As for the QM area, as we can see at the right side of the figure 4, there is a significantly greater difference between the two types of companies. The surveyed companies, even some of the market-leading companies - more precisely 18%

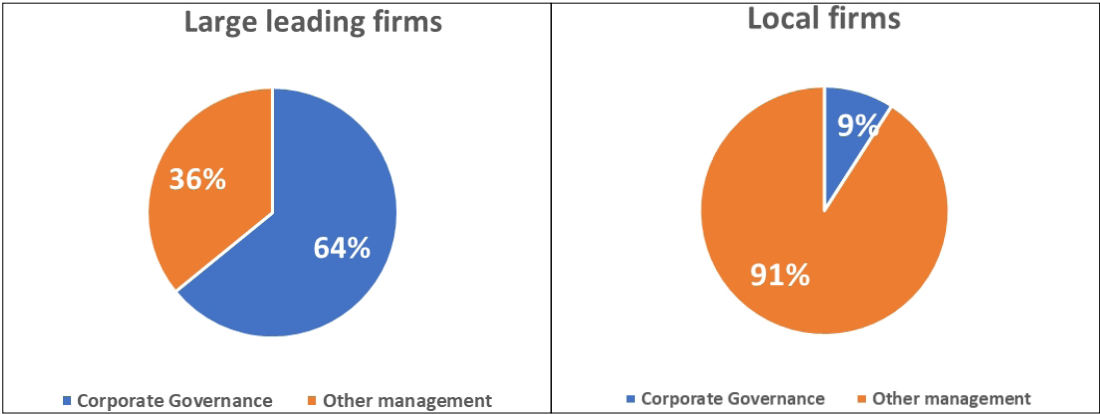


Figure 4. A CG based management at the studied organizations.

of the companies - do not consider it important to promote their quality management activities. This proportion is much higher in the case of local companies, as we found data on QM in only 55% of the sites. This result is fairly surprising if we take in account the fact that, presumably, all companies have a certified quality assurance system. Without them, they would not be able to be present on B2B, B2G markets. A possible explanation for this might be that they consider it self-evident that they have a certified high quality assurance system and there is no need to report on it.

An interesting area of investigation was the presence of OECD principles of corporate governance (CG) in the companies surveyed. We did not specifically look for state-owned companies, since in the case of Romania, according to the Government Decree 109, CG is usually present, and therefore the companies studied are rather multinational, in many cases listed on the stock exchange. **Figure 4** examines the presence of CG based management in the companies studied.

Figure 4 shows the expected result that corporate governance according to the OECD principle is not really present in local companies. We found signs of this at a rate of less than 10% at the local level. The corporate governance is present in a significantly higher proportion in the case of market leader companies, as 64% of the examined companies clearly apply these principles. During the research, perhaps the most interesting issue is the analysis of the QM and CSR in relation to the existence of visible CG rules at the studied companies. **Figure 5** shows this relationship.

In the figure above, we can see that we found information about CSR and QM, without exception, in companies where corporate governance based on OECD principles is present. In addition to the clearly separated social responsibility and quality management activities, these websites clearly show who the leaders of the organization are. They present the conscious commitment to the adopted values, and there are obvious signs of that in the company's communication. The research also revealed that where there is no CG, the company usually does not have an easily identifiable manager.

We also observed that in the case of important state-owned companies –due to legal requirements –there is a visible organizational chart. In these, usually we found the responsible departments for QM and CSR. In the case of the other examined non-state companies, but among those that we considered large companies, we found that if there is CSR, there is also QM, but the reverse is not always true. As for the sample of local companies, we can see on the right side of **Figure 4**, that there are only really few firms with CG based management. Usually, here neither the management team nor the person responsible for QM and CSR activities are visible. During the research, we did not find a single organizational chart for all the investigated local industrial companies. Here, too, we experienced the same situation to the large companies: if there is CSR, there is also QM, but the reverse is not true here either. At local level, there are very few references related to QM. Still, as we mentioned above,

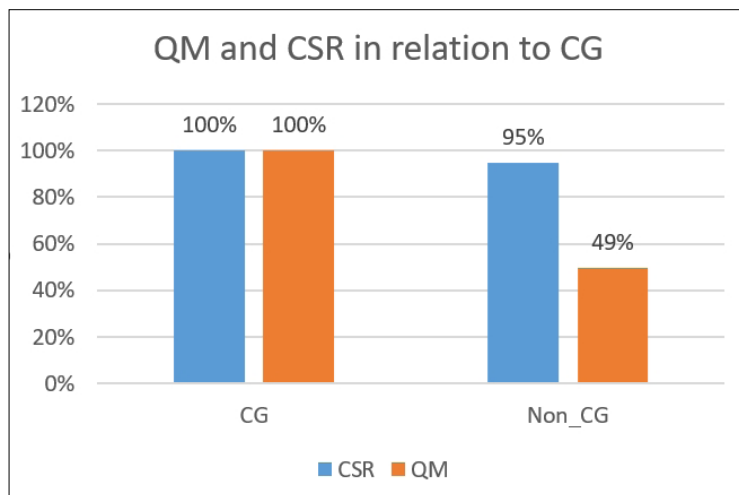


Figure 5. Quality management and corporate social i.e., responsibility in relation to CG

they certainly have an advanced certified quality management system, since without ISO9001 and ISO14000 certification - in addition to the sector-specific standards - it is relatively difficult to prevail in the market. The websites of the local firms are usually outdated, or are redirected to the parent company's website. However, in the latter case, almost everything is perfect, so there is usually a significant difference between the information intended for the public shown by the parent company and its subsidiary.

6. Conclusions

Contemporary quality management is a more complex issue than it might seem at first impression, since quality assurance today assumes the organization's ability to ensure a certain quality level continuously and sustainably. For this, the creation of optimal technical conditions is far from sufficient (e.g. professional technological planning and proper machine settings), several further activities can also be crucial in quality assurance. It requires substantial senior management attention to sustain these usually non-product activities and to create several jobs to support the quality management processes. One of the essential starting points of our research is the assumption that, in order to ensure comprehensive quality, the top management must establish clearly separated (middle and senior management) roles to achieve this goal. Among these roles, we considered the quality manager and the manager for social responsibility to be of particular importance. In our research, we examined to what extent the two roles/ activities, are reflected in the organization charts of companies located in Romania. We had a particular interest in local small and medium-sized companies. During the content analysis, we examined the websites of the selected companies, and found that the organizational chart of the companies is not usually public, since only 24 of the 158 companies examined (15%) had the chart available on their website. Among these, we found that in 20 cases the QM activity is clearly visible (this is 13% of the entire sample) and in 16 cases the CSR and QM activities appear clearly separately. Looking at the sample of the studied region, we found that there is lack of corporate governance principles (in the sense defined by OECD), the management team and the person responsible for QM and CSR activities are not visible either. We experienced that if there is CSR, there is also QM, but the reverse is not true here either.

We have noticed that there is lack of information referring to QM processes, in spite of the fact that most of them, almost without exception, certainly have a quality management system certified by independent auditors. The websites of the studied local companies are usually outdated, or redirected to the parent company's website. The biggest difference found between local companies and large national-level companies consists of the level of adopting the corporate governance principles. At local level only 9% of the companies have such kind of governance. This situation is totally different regarding our findings related to the existence of QM activities. While, the QM issue is somehow a hidden, or less visible due to some kind of indolence, the CG issue is real; the companies - if they apply these principles - proudly promote it, and there is evidence which proves it in their websites.

References

- [1] M.-S. Akhmatova, A. Deniskina, D.-M. Akhmatova, L. Prykinac: *Integrating Quality Management Systems (TQM) in the Digital Age of Intelligent Transportation Systems Industry 4.0*. Transportation Research Procedia 63 (2022) 1512–1520.
- [2] Yu G. J., Park M., Hong K. H.: *A Strategy Perspective on Total Quality Management*. Total Quality Management & Business Excellence, 31/1-2. (2020) 68–81.
- [3] K. Canbay, G. Akman: *Investigating Changes of Total Quality Management Principles in the Context of Industry 4.0: Viewpoint from an Emerging Economy*. Technological Forecasting and Social Change, 189. (2023) 122358, <https://doi.org/10.1016/j.techfore.2023.122358>.
- [4] M. García-Fernandez, E. Claver-Cortes, J. J. Tar: *Relationships between Quality Management, Innovation and Performance: A Literature Systematic Review*. European Research on Management and Business Economics, 28/1. (2022).
- [5] Sang-Lin Han, Jong Won Lee: *Does Corporate Social Responsibility Matter Even in the B2B Market?: Effect of B2B CSR on Customer Trust*. Industrial Marketing Management, 93. (2021) 115–123.
- [6] Shuojia Guo, Cheng Lu Wang, Seokyoung Hwang, Fei Jin, Liying Zhou: *Doing Bad by Doing Good? Corporate Social Responsibility Fails when Controversy Arises*. Industrial Marketing Management, 106. (2022) 1–13. <https://doi.org/10.1016/j.indmarman.2022.07.009>.
- [7] EFQM (2019). *The EFQM Model*. Brüsszel: EFQM.
- [8] Talib Hussain et al.: *Examining the Role of Responsible Management, CSR, and TQM in Enhancing Renewable Energy Projects: An Empirical Analysis*. Acta Ecologica Sinica, 2023. <https://doi.org/10.1016/j.chnaes.2023.06.010>

- [9] <https://www.ga-institute.com/index.php?id=9127>
- [10] Braun R.: *Vállalati társadalmi felelősségvállalás*. Akadémiai Kiadó, Budapest, 2015.
- [11] *** (2001). Green paper - Promoting a European Framework for Corporate Social Responsibility, Commission of the European Communities, Brussels, 18.7.2001, COM(2001) 366 final
<https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2001:0366:FIN:EN:PDF>
- [12] European Commission, Executive Agency for Small and Medium-Sized Enterprises, Uptake of Corporate Social Responsibility (CSR) by European SMEs and Start-ups – Executive Summary, Publications Office, 2021.
<https://data.europa.eu/doi/10.2826/822248>
- [13] <https://www.iso.org/iso-26000-social-responsibility.html>
- [14] <http://mneguidelines.oecd.org/mneguidelines/>
- [15] Auer Á.: *Corporate governance. A felelős társaság-irányítás jelenkori dimenziói*, Dialog Campus, Budapest, 2017.
- [16] OECD (2021), OECD Corporate Governance Factbook 2021, www.oecd.org/corporate/corporate-governance-factbook.htm
- [17] *** Ordonanța de urgență nr. 109/2011 privind guvernanta corporativă a întreprinderilor publice.
- [18] Krippendorff K.: *Content Analysis: An Introduction to Its Methodology*. Sage Publications, 2019.
- [19] <https://www.zfcorporate.ro/>
- [20] <https://www.topfirme.com/>
- [21] www.coduricaen.ro