

# ENSURING THE MARKET COMPETITIVENESS OF COMPANIES USING QUALITY STRATEGIES

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**Abstract:** *Products obtained from cereal processing have always been considered essential components of a balanced diet. These products provide about 45% of the total protein to the human body daily, 65% of total calories and a significant intake of carbohydrates, vitamins, mineral salts. The quality of milling and bakery products must ensure consumer satisfaction and safety. This can be achieved through a continuous improvement of the processes, products / services, but also of the quality management system of the players on this market. This paper presents the results of the implementation of the strategy of continuous quality improvement in a Romanian company operating in the milling and bakery sector.*

**Key words:** *market competitiveness, quality strategies, continuous improvement, quality system.*

## 1. Introduction

The milling and bakery industry includes both large and small producers. As such, competitiveness is high and in order to cope with it, the organizations involved must innovate, find new ways to improve the quality of products / services, processes and productivity and sustainable development (Morais et al., 2019). Surrounded by strong competition, managers are increasingly forced to put the needs and requirements of consumers first (Neacşu, 2020).

An important issue for this industry is to ensure consumer safety, as food contamination and spoilage is a serious public health problem (Fahad Jubayer et al., 2020). Food quality management has become increasingly important in the agri-food sector due to various food incidents (Van Der Spiegel et al. 2005). This paper aims to present how the organizations in the analysed field can face the competition and, at the same time, can increase customer satisfaction through the process of continuous improvement of the activities, and of the products and services that make up their offer on the market, respectively.

For this purpose, the author conducted an exploratory research, consulted various documents posted on the website of the analysed organization, documents related to the market of milling and bakery products, other documents.

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## 2. Literature Review

The basic aspects of Quality Management are well defined and established by international standards such as ISO 9001 and ISO 14001 (Ingason, H. T., 2015). ISO 9001 is applied in various types of organizations around the world, creating an organized framework for applying the principles of quality management in the work of several types of organizations, whether public or private. ISO 9001: 2015 envisages an approach based on the organization's process management, customer orientation and customer satisfaction assessment, as well as the commitment of top management to continuous improvement.

The new business models are based on continuous improvement, transparency and intangible resources of companies (trade, human resources, intellectual capital, technology, customer relations and partnerships etc.).

Quality is the main course of action for achieving the organization's goals in a turbulent and unstable environment and the hope of achieving the satisfaction expected by consumers.

Regarding the quality system, it is defined in ISO 8402 as an organizational structure with the responsibilities, procedures, processes and resources needed to implement quality management (<https://www.iso.org>).

On the one hand, as argued by Raboca et al. (2012), the quality management system must be organized in such a way as to allow the exercise of proper and continuous control over all activities and processes that influence quality. On the other hand, the quality management system must ensure that at least two fundamental conditions are met for any organization, namely: meeting customer requirements and ensuring the organization's requirements.

The management of the company must ensure that the processes and operations will reach a certain level of quality, and for this, managers must establish the following aspects:

- goals and objectives related to process quality;
- the necessary documentation and resources for the qualitative development of the activities;
- the system for monitoring, verifying and validating the activities, as well as defining the criteria for their qualitative acceptance;
- the records required to prove the compliance of the processes and their results with the specified quality requirements.

The strategy of continuous improvement aims at a gradual improvement of product quality, services, productivity and competitiveness with the participation of all staff. Strategies and techniques for the continuous improvement of quality management include: Benchmarking, Kaizen, Quality Circles, QFD Method, Six Sigma, Poka Yoke, etc. (Paraschivescu, Cocîrleţ, 2015).

Continuous quality improvement can be approached in two ways:

- the classical view - the technological innovation strategy, which implies major technological changes; as a result, the improvement of the products is achieved in big leaps, with substantial investment efforts in order to obtain fast economic effects;

- the modern view - an integrative strategy (of marketing strategies, research - development and production) and a functional one of the enterprise, which aims at the gradual and continuous improvement of the quality of both products and services, as well as productivity and competitiveness. This strategy has adopted the principle of gradual improvement, through "small steps", which can be achieved with small and continuous investment efforts, through conventional know-how, without major technological changes (<https://www.spica.com/blog/kaizen-method>).

The key difference between the two types of strategy is the approach to change: slow and continuous change in the strategy of continuous improvement Kaizen versus sudden change, radical strategy for innovation.

### 3. Company Presentation

In 1990, Societatea Comercială Morărit și Panificație SA Neamț was established, from which, in 1991, Societatea Comercială Morărit și Panificație Roman was separated. In 1997, this company was privatized, thus giving birth to SC Morărit Panificație Roman SA, keeping its name until today.

The company is a Romanian legal entity with private capital, headquartered in Neamț County, Roman city. The company SC Morărit Panificație Roman SA capitalizes on the agricultural potential of the region of Moldova with modern technology and personnel specialized in the bakery industry, having as main object of activity the manufacture of milling products (CAEN Code 1061) and bakery products (CAEN Code 1071). According to the statute of association, this company carries out the following basic activities:

- grain processing;
- production and marketing of milling, bakery and pastry products;
- services: grinder, transport.

The auxiliary activities of the company include:

- marketing of sugar and expanded products;
- import and export operations.

Regarding the market position of the company locally, in 2020, S.C. Morărit Panificație Roman S.A. was ranked first in Neamț County, with a market share of 77.98%. At national level, in 2020, the company ranked 33<sup>rd</sup> in terms of manufacturing milling products with a market share of 0.28% (<https://lege5.ro/firma/morarit-panificatie>). The evolution of the main economic indicators of the company S.C. Morărit Panificație Roman S.A., can be found in Table no.1.

Table 1

*Evolution of the company's main economic indicators in the period 2016-2020*

Indicators	2016	2017	2018	2019	2020
Turnover (lei)	9.880.797	11.043.683	11.154.883	10.655.576	9.958.935
Income (lei)	13.523.421	15.572.913	15.857.158	15.664.384	14.426.608
Expenditure (lei)	13.362.565	15.287.378	15.517.471	15.332.254	14.218.128
Gross profit (lei)	160.856	285.535	339.687	332.130	208.480
Number of employees	140	126	123	105	96

Source: <https://bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=MORA>

S.C. Morărit Panificație Roman S.A. has a large market. The products are made available to buyers through its own network of stores that cover all areas and neighbourhoods in Piatra Neamț. The company wants to meet the needs of consumers, so it has created a distribution team that ensures the sale of products both to its own stores and to companies that buy wholesale products, customers from other cities (Bucharest, Bacau, Brasov, Buzau, Iasi, Vaslui, Suceava, Botoşani, Galați) and to the Kaufland chain of stores. The main clients of the company are: Kaufland Romania, S.C. Bill Solution S.R.L. Iasi, S.C. Bulai Elemar S.R.L. Roman, S.C. Camelion Com S.R.L. Roman, S.C. Linex S.R.L. Romanian.

The main suppliers of raw materials of the company are:

- for wheat: S.C. Almos Neamț; Trimonex Trifești; SC TCE Trei Brazi; Local producers;
- for sugar: Roman Danubian;
- for yeast: Pakmaya Paşcani.

At the regional level, the main competitors of the company are: S.C. Pambac Bacău S.A., S.C. Sabus S.R.L., S.C. Miralucia S.R.L. and S.C. Dorivi Prodcom S.R.L. At national level, the company's competitors are: Vel Pitar, Boromir, Dobrogea Grup, Simpa, European S.R.L.

#### **4. Implementing the Quality Strategy**

Through the quality policy adopted, the management of the company is determined to ensure the following aspects:

- the conditions for knowledge, maintenance and continuous improvement of the quality management system;
- the material and human resources needed to implement the quality policy and objectives;
- achieving a high level of quality of the products offered in compliance with the applicable legal requirements in its field of activity;
- involvement and awareness of all employees in carrying out quality tasks and responsibilities;
- regular review of quality policy and objectives to ensure their continued effectiveness.

Within the general policy of the company, the quality policy occupies a central place and is based on the following principles:

- the quality of S.C. Morărit Panificație Roman S.A. must fully meet the requirements of customers, as well as those imposed by legal regulations in the field in which the company operates;
- involving all employees and making them aware of their responsibilities in achieving quality, food safety, environmental protection and social responsibility, so that the main objective is to prevent product non-conformities;
- continuous improvement of processes, quality of products and services, as well as quality management system;

- the organization and operation of the organization in order to meet all the quality requirements required by customers and the applicable regulations in force, in order to ensure competitiveness;

- making the best use of available resources, while respecting the requirements of environmental protection and occupational safety and health.

The company intends to achieve the following quality objectives:

1. to decrease of non-compliant products by 5% until 2023;
2. to increase customer satisfaction by 95% in the next 3 years;
3. to reduce customer complaints about product quality by 10% next year;
4. to revise 25% of the job descriptions by making the responsibilities related to quality more specific;
5. to obtain ISO 22000 food safety system certification in the next 2 years;
6. to train staff at least twice a year on product quality, starting in 2021.

In order to achieve these objectives, the company has chosen to implement the strategy of continuous quality improvement. The choice of this strategy was based on the following decision factors: the complexity of the product quality characteristics, the company having a diversified range of products and, due to the market demand, the company being in the regional top on the bakery market. The implementation of the strategy involved actions such as:

- investments in automated machinery and in production and marketing locations, as follows:

- pretzel format machine
- multimedia packaging machine
- screw compressor
- epoxy flooring
- repair of factory buildings and shops
- carrying out regular quality controls, once every six months.
- re-evaluate all suppliers to determine if they meet the standards required by the quality management system in force.
- training for employees.

## 5. Implementation Costs

In order to maintain and improve the quality level of products and services, and implicitly to achieve the proposed objectives, the following investments were made (Table no. 2):

*Investments required to implement the quality strategy*

Table 2

Investment name	Pcs no	Estimated cost / pc (lei)	Estimated total cost (lei)
Pretzel format machine	2	128.700	257.400
Multimedia packaging machine	1	247.500	247.500
Screw compressor	1	39.600	39.600
Epoxy flooring	1	49.500	49.500

Investment name	Pcs no	Estimated cost / pc (lei)	Estimated total cost (lei)
Repair of factory buildings and shops	1	500.000	500.000
Quality auditor	1	2 times/year x 2.500	5.000
Training for employees	.	2 times/year x 1000	2.000
Social media manager	1	4000lei/month	48.000
ISO 22000 certification services			10.000
<b>Total investments</b>			<b>1.159.000</b>

## 6. The results of the Strategy Implementation

With 4,338,439 lei of equity and 175,123 lei of net profit in 2020, all actions are achievable. The company does not present any risk, all economic indicators being in normal indices, although during the pandemic period there were significant losses.

Investments in production, consisting of the purchase of pretzel machines, multimedia packaging machine and screw compressor, were made in proportion of 100%. This led to a 3% decrease in non-compliant products, maintaining a constant level of quality, and consequently to a 7% reduction in customer complaints about product quality.

All local suppliers of raw materials were re-evaluated according to the current quality criteria imposed by the company, ending the collaboration with 2 suppliers of wheat that did not meet the quality standards. The modernization of the production and marketing locations was 60% completed, and will be completed this year.

Of the 44 employees in production, 20 participated in quality courses. Following these, 7 employees requested the revision of the job description, 5 requests being approved. Through these actions, labour productivity increased by 10%, implicitly increasing employee motivation. Thus, the level of staff did not fluctuate as in previous years.

By facilitating communication with customers, their satisfaction increased by 40%, reflected in positive reviews, and customer loyalty and retention.

Obtaining ISO 22000 food safety system certification is delayed because a service provider could not be contracted for the desired offer.

Quality controls were carried out, where the quality system of the enterprise, the processes of the enterprise, and the resulting products and services were evaluated, following the results obtained outlining actions to be started in the future, and the plan / objectives for next year.

## 7. Conclusions

A well-implemented quality management system will help the company reduce costs, improve performance, reduce waste and provide a structured training base for new and existing employees.

Specifically, for the analysed company, with the help of the implementation of the quality strategy, the company can reduce its weaknesses, investing in store modernization, creating an intermediary through which consumers can interact with the

company directly, and intensify marketing activities. All these actions lead to the improvement of the company's image, and to the maintenance of the market position.

Following the implementation of the quality strategy at S.C. Morărit Panificație Roman S.A., it can be observed that it had a positive impact on product quality, labour productivity, customer satisfaction and financial performance.

The results of this work can be used as examples for other organizations that want to improve their activity in the field of quality.

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I mention that some of the data presented in this article are not accurate. They are estimates and come from the own exploratory research conducted by the author.

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