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ISO Certification Does it Matter? A Case of Pharmaceutical and Beverages Sector in Pakistan

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Abstract- In this paper, comparison is made to know the impact of International Organization for Standardization (ISO) certification on organization's profit after certification and before certification. Randomly pharmaceutical and beverages sectors selected from Karachi Stock Exchange listed companies in Pakistan. The annual data of profit from (1996-2008) collected from Balance Sheet analysis (BSA) published by state bank of Pakistan (SBP). Mann Witney U test applied to compare two time periods and observed that there is significance difference between the profits of two time periods of both sectors.

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ISO Certification Does it Matter? A Case of Pharmaceutical and Beverages Sector in Pakistan

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I. ISO

The International Organization for Standardization (ISO) is a worldwide federation of national standards bodies from some 163 countries, one from each country. Pakistan Standards and Quality Control Authority (PSQCA) is main body of ISO and other sub certified bodies are working in Pakistan like, Moody International (Pvt.) Limited, Bureau Veritas Certification, SGS Pakistan (Pvt.) Limited, Systems & Services Certification, Pakistan Systems Registrar, System Certification Centre of PSQCA, DNV, AITEX, TUV, QMS and SMIS-AGS Pakistan.

ISO is a non-governmental organization established in 1947. The mission of ISO is to promote the development of standardization and related activities in the world with a view to facilitating the international exchange of goods and services, and to developing cooperation in the spheres of intellectual, scientific, technological and economic activity. ISO is to facilitating trade, exchange and technology transfer through ; enhanced product quality and reliability at a reasonable price, improved health, safety and environmental protection, and reduction of waste, greater compatibility and interoperability of goods and services, simplification for improved usability, reduction in the number of models, and thus reduction in costs, increased distribution efficiency, and ease of maintenance. ISO's work results in international agreements which are published as International Standards.

II. HISTORY

International standardization began in the electrotechnical field: the International Electrotechnical Commission (IEC) was created in 1906. Pioneering work in other fields was carried out by the International Federation of the National Standardizing Associations (ISA), which was set up in 1926. The emphasis within ISA was laid heavily on mechanical engineering. ISA's activities ceased in 1942, owing to the Second World War. Following a meeting in London in 1946, delegates from 25 countries decided to create a new international organization "the object of which would be to facilitate the international coordination and unification of industrial standards". The new organization, ISO, began to function officially on 23 February 1947.

III. INTERNATIONAL STANDARDS

Standards are documented agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines, or definitions of characteristics, to ensure that materials, products, processes and services are fit for their purpose. For example, the format of the credit cards, phone cards, and "smart" cards that have become commonplace is derived from an ISO International Standard. According to the standard, which defines such features as an optimal thickness (0.76 mm), means that the cards can be used worldwide. International Standards thus contribute to making life simpler, and to increasing the reliability and effectiveness of the goods and services we use.

IV. OBJECTIVES

Currently in the world, a trend of getting ISO certification is running drastically in our industry. This certification is enhancing the organization's performance, environment, quality and etc. Our objective of this paper is to know the impact of ISO on the organization that after getting ISO certification that it enhances the productivity of organization or not. Basically, it is the comparison of ISO certified companies during the period of (1996-2008) before certification and after certification and comparison between their performances.

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V. DATA

Randomly two different sectors selected, which are pharmaceutical and beverages sectors of Karachi stock exchange listed companies in Pakistan and the numbers of companies are 13, in which 4 companies are from beverages sector and 9 companies are from pharmaceutical sector. After the filtration of ISO certified companies and non ISO certified companies are 8 in which 2 ISO certified companies from beverages sector and 6 ISO certified companies from pharmaceutical sector for the analysis. Both sectors were divided in to two different pools, (1) the period of after ISO certification of companies, (2) the period of before ISO

certification of companies. The annual data of profit is collected from Balance Sheet analysis (BSA) which is published by state bank of Pakistan (SBP) from (1996-2008). List of companies are attached in appendix.

VI. ANALYSIS

To test the normality assumption one-sample kolmogorov-Smirnov test applied on the data of profit. The p value in table 1 suggests that the data of profit does not follow normal distribution. So in order to compare the two different time periods of before and after certification. Mann Witney U test applied to compare two time periods and get the following results.

One-Sample Kolmogorov-Smirnov Test

		EPSAT*
Normal Parameters ^a	Mean	104
	Std. Deviation	12.0202
Most Extreme Differences	Absolute	2.20619E1
	Positive	.288
	Negative	.277
Kolmogorov-Smirnov Z		-.288
Asymp. Sig. (2-tailed)		2.936
		.000

Irrespective to sector significance difference in profit has been observed between two time periods.

Test Statistics^a

	EPSAT
Mann-Whitney U	552.000
Wilcoxon W	1.680E3
Z	-5.144
Asymp. Sig. (2-tailed)	.000

This graph shows collective result of both sectors beverages and pharmaceutical. The result shows that after ISO certification the profit of those companies comparatively raises from 10 million to 13 million of pharmaceutical sector and beverages sectors profit raise from 11 million to 14 million.

a. Grouping Variable: status



VII. CONCLUSION

The result shows that the ISO certification has impact on the organization's profit. Analysis of both sectors shows after certification it has acutely impact on organizations of increasing their revenues generating. As per manuals of ISO, a company will start revenue generation more at least 2-3 years because ISO standards bring the good practices systematically in the company.

Analysis says that irrespective to sector significance difference in profit has been observed between two time periods and graphically analysis shows that 3 million increase in profit after ISO certification in both sectors. We conclude that the ISO certification has actually effect on raising the profit of organizations.

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