

# **BUSINESS STRATEGY OF PROVIDING CUSTOMER SATISFACTION AN EXPLORATORY STUDY IN QM CERTIFIED SERBIAN COMPANIES**

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*The key strategic objective of a company should be achieving and understanding the optimum level of customers' satisfaction. This allegation is, conceptually, the objective of a wider analyses in this paper, as well as the model for providing customers' satisfaction in the form of business strategy. This theoretically-based model is harmonized with the following important concepts: quality management, business excellence and relationship marketing. The research (survey) which was carried out in companies and among the experts, on the territory of the Republic of Serbia, indicated justifiability of this model and its structure. The total of 600 organizations (all sizes; all QM certified) and about 100 experts (from the field of interest) were included in the research – the call for participation was accepted by 84 companies and 37 experts.*

*Keywords: Business strategy, Customer satisfaction, Quality management, Business excellence, Relationship marketing*

## **INTRODUCTION**

Achieving business excellence and creating world class products and services, as a basic precondition for company's growth and development in modern economy, are not functions of one organizational unit within the company, but the result of synchronized activities of all company's functions, according to precisely defined objectives of the company. The objective of an organisation should be achieving and understanding the optimum level of customers' satisfaction. This field represents a base of, at least, three concepts: quality management, total quality management and business excellence, as well as relationship marketing, which is conceptually, the subject of a wider analyses of this paper.

## **THEORETICAL BACKGROUND**

### **Customer satisfaction as a strategic objective**

Customer satisfaction (CS) can be defined in different ways. According to Kotler [1], satisfaction is "the level of a person's felt state resulting from comparing a product's perceived performance (or outcome) in relation to the person's expectations." Briefly, satisfaction level is a function of the difference between perceived performance and expectation.

In the contemporary global economy and highly competitive business environment, it might be fatal for a business organization to be non-customer oriented. In fact, only those customer-centered organizations that can deliver value to their customers will survive in the modern business arena. To "make" highly satisfied and loyal cus-

tomers, organizations throughout the world are striving to produce world class products and services of high quality. For a long time, CS was considered to be the key success factor for every profit-oriented organization as it affects companies' market share and customer retention. In addition, satisfied customers tend to be less influenced by competitors, less price sensitive, and stay loyal for a longer time [2].

Many executives seem to trust their intuitive sense that high customer satisfaction will eventually translate into higher loyalty and with it ultimately into improved company performance [3]. Thus achieving high customer satisfaction has become a central focus of corporate strategy for most enterprises [4]. However, "despite the claim that satisfaction ratings are linked to repurchase behavior, few attempts can be found that relate satisfaction ratings to actual repurchase behavior" [5]. That the validity of this assumption is all but given is nicely illustrated by Reichheld [6], who reports that while around 90% of industry customers report to be satisfied or even very satisfied, only between 30% and 40% actually do repurchase. Apparently, current knowledge doesn't fully explain the prevalence of satisfied customers who defect and dissatisfied customers who do not [7, 8]. One of the reasons is that the relationship between satisfaction and retention is not a linear one, but moderated by several different variables. Oliva, Oliver, and MacMillan [9] stated that "the response function linking (...) satisfaction to customer response may not operate as is frequently assumed because the complexity of the relationship may be underestimated".

Leading companies make customer focus a key element of the company's overall strategy to differentiate themselves from competitors. Satisfaction becomes a primary theme for top management in communications with a broad range of stakeholders. Focusing on satisfying high-value customers can be powerful part of the company fabric because it is meaningful to a broad set of stakeholders including employees, financial analysts, suppliers, and other allies. Putting the customer first becomes part of the corporate positioning and differentiation in the market. The lack of management in CS strategies could be one of the many factors leading to an enterprise's downfall. To effectively draft CS strategies, one must respect customer value and

collect customer demands and then compare the importance and performance (satisfaction) between the collected customers demands [10]. Concurrently, customer demands are not stagnant and cannot be manipulated by enterprises. Therefore enterprises must periodically diagnose and filter these demands to set reasonable strategies to insure the survival of CS activities [11].

### **Concepts related to customers' satisfaction**

Quality components, such as solving complaints, cooperation of company's representatives with customers, availability of products and services, cost and price policy and activities related to making contracts, have a great influence on customers' satisfaction [12]. On the other hand, customers' satisfaction influences the company's characteristics, such as spreading positive information about the company and its services and products [13].

Many entrepreneurs do business by building and managing relationships without using the term of relationship marketing, which enables them to gain a better insight into customers' needs and therefore act accordingly. The term "relationship marketing" (RM) itself was first introduced by Berry [14] in a services marketing context. Defined as marketing activities that attract, develop, maintain, and enhance customer relationships [14], RM has changed the focus of a marketing orientation from attracting short-term, discrete transactional customers to retaining long-lasting, intimate customer relationships.

Relationship marketing is a continual process which demands the following from companies: (1) continual communication with customers (provides correct definition of requirements) and (2) to integrate relationship marketing process into strategic planning (enables better resource management and anticipation of future customers' needs). Brookes and Little [15] enhance the explanation of the effective marketing process by saying that this concept is based on data base management, interactive market communication and web marketing.

Business excellence presents a business strategy which demands from management complete commitment and acceptance of concept [16]. The EFQM model of business excellence is based on eight principles. The belonging cri-

teria are: leadership, policy and strategy, people – management of employees, partnership and resources, processes, customer results – customer satisfaction, people results – employees' satisfaction, society results – the influence on society and key performance results [17]. All of them are the basis for self-evaluation whose purpose is to evaluate the “maturity phase” of the organization and to focus on the problems of further business improvement [18, 19, 20, 21, 22].

### **METHODOLOGY SETTINGS OF THE RESEARCH**

The companies coming from transitional countries, like those from the West Balkans (Serbia is among them), have problems with quality of their business and production productivity. Inherited inefficient production system, as well as transitional recession common for all countries in transition, influence these companies and may be blamed for their insufficient competitive capacity. The problem is especially obvious in the companies dominated by autochthonous private capital. The reason for relatively small number of Serbian companies that implemented quality system can be found in difficult financial situation of domestic economy and the implementation of QMS asks for considerable business efforts on the side of companies. What concerns most is the fact that almost all big companies have already implemented QMS. On the other hand, the majority of Serbian companies belong to small and medium size company sector (SME). Taking all the mentioned facts into account, it is not surprising that the concept of integrated management systems is mostly applied on Serbian market while the elements of business excellence serve more as theoretic-methodological base. The concept of relationship marketing does exist, but only on the basic level and in small number of companies (mainly those in foreign ownership). There are, however, no clear indicators concerning this.

The presented model starts from, at least, two key pre-conditions:

1. The very incorporating of principles and criteria of business excellence in the given conditions, in other words – input and output elements of relationship marketing in defining policy, objectives and tasks in the organization (the sphere of planning quality in

the future), showing strategic determination of certified Serbian companies to satisfy the requirements of customers and other stakeholders.

2. Wide involvement of organizational and management structure in the processes of expectations identification and monitoring, measuring and analyses would mean making stronger bonds between current activities and strategic decisions, where a satisfied customer is in focus.

Argumentation, even an indirect one, of these pre-conditions would be enough to show justifiability and acceptance of the model which, in the centre of the presented form puts satisfaction of customers and other stakeholders. In order to provide stable bonds between the rings it is necessary to incorporate wider organizational and management structures, especially in the processes directly oriented towards the customers.

Target groups in the research were:

- companies (production and/or services) which are certified according to the ISO 9000 standards and which work and/or have residence in Republic of Serbia; managers in quality and/or marketing sector in these companies, as the primary group,
- experts, in the sphere of quality and/or marketing (with reference to the subject sphere, published works and/or cited), as a control group. They were to confirm the companies' attitudes. It was interesting to see whether considerable differences would appear in the companies' answers and the answers of those who were dealing with this matter from academic (university professors) or some other standpoint (e.g. consultants).

Surveying the available companies and experts was primarily realized over e-mail. The survey included about 600 companies and 100 experts. The selection of companies was done primarily using Serbian Chamber of Commerce's Database, while selecting the sample of experts was conveyed through the database of contacts in JUSK – United Association of Serbia for Quality, as an independent and sufficiently representative body for Serbia. The total of 84 companies accepted the invitation to participate in the research (which is between 4,5 and 5,5% out of all certified companies in Serbia), as well as 37 ex-

perts from the subject sphere. For the survey's purpose a special questionnaire was created, taking care of methodology of the research; the communication principle was: one questionnaire – one company/expert. The survey was mainly realized in the first quarter of 2008.

The structure of the surveyed companies was as follows: according to ownership structure the companies were mainly private (61 (72,6%)) and public (10 (11,9%)); according to the field of work: agriculture, hunting, forestry and water management 3 (3,4%), ore and stone mining 1 (1,1%), manufacturing industry 46 (52,3%), electrical, gas and water generation and supply 5 (5,7%), building construction 9 (10,2%) wholesale and retail trade; motor vehicles, motorcycles and house-ware/personal repair 8 (9,1%), traffic, warehousing and connection 3 (3,4%), administration and defence; compulsory social insurance 2 (2,3%), education 3 (3,4%), health and social care 3 (3,4%), other communal, social and individual services 5 (5,7%); according to the size: micro and small 14 (16,7%), medium 38 (45,2%) and big 32 (38,1%); position of the interviewed: mainly directors 10 (11,9%), leading managers 49 (58,3%), and consultants 3 (3,6%).

The structure of the interviewed experts was: the majority of the interviewed were male (31 (83,8%)); the greatest number of the interviewed were over 50 years of age (13 (41,9%)) and between 30 and 40 (11 (35,5%)); level of education: the majority were PhD (15 (40,6%)), Master's degree and Bachelors (10 (27%)); occupation (answered 22 (59,5%)): the majority (11) were university professors/college professors and 5 experts were employed as consultants; work position of the interviewed in their organizations (answered 36 (97,3%)): directors and/or owners and leading managers.

During the check phase of statistically relevant differences in the answers of different-size companies (types of companies: 1 – micro and small, 2 – medium and 3 – big, given in the following tables), the data types which appeared in the survey caused the application of two different methods of statistic analyses: Kruskal Wallis and One way ANOVA. ANOVA was used in comparison for both companies (total) and experts' data as well. It was taken that the evaluation limit of results' reliability, i.e. probability which enabled proclaiming that the data were error consequences or the random variations was  $p = 0,05$ .

This means that for  $p \leq 0,05$  there is a statistically significant difference in results. It was determined that significant statistic exception in the companies and experts' answers (in general) didn't exist, therefore, there was no discussion on this matter.

### **THE MODEL OF BUSINESS STRATEGY**

In accordance with the previously said, modelling the acceptable concept that would satisfy customers' requirements, integrate QMS, business excellence and relationship marketing seems possible and transitional solution. Therefore, the objective of the research was to create and present a qualitative theoretic model of a system for providing satisfaction of a company's customers needs. This model assumes a process approach, appropriate marketing research in the beginning and corresponding evaluation in the end. The model is created to enable easier managing of these processes with the aim to achieve business excellence. Acceptance and justifiability of this mixture of concepts and the model should be proved in the future.

In the part of the research presented here, the framework of the business strategy for satisfying the customers' requirements acceptable for Serbian companies is given, supported by statistic analyses of the answers provided by surveying the target groups. The attitude on justifiability and acceptance of the model will be created later on the ground of some quantitative indicators related to the mentioned qualitative theoretic model. The part of planning or incorporating the principles and criteria of business excellence and relationship marketing into the standard (ISO 9000) defined framework is the subject of a separate analysis. This serves to show justifiability and acceptance of strategically oriented form presented in the following picture.

#### **Presentation of the model**

Figure 1 presents a model in a form of a cycle, in order to describe the model as a business strategy which puts the focused modules (sub-processes) in the environment of customers and other stakeholders, whose objective is the progress of the organization in whole. Such a business strategy is supported by business excellence and relationship. It can be the matter of dispute which "ring" of support is "older" and/or more important. The author of this paper thinks

that it is the matter of attitude, but their existence or the need for it has been shown in this research.

**Analysis of research results concerning strategic components of the model**

Asked to evaluate the importance (using Likert 5-point scale) that should be paid to the principles of business excellence while defining policy, objectives and tasks in the organization, 66 (85,7%) (out of 77 (91,7%) of the interviewed in companies, or 33 (91,7%) (out of 36 (97,3%)) ex-

perts gave the answers which are shown, comparably, in the Table 1. All the principles were evaluated as significant or particularly significant (the lowest grade was given to corporate social responsibility by the experts - 3,39).

Having been asked to evaluate significance paid, or the one which should be paid, to criteria of business excellence at defining policy, objectives and tasks in the organization, the interviewed (63 (85,1%) out of 74 (88,1%)) in companies, and experts (33 (91,7%) out of 36 (97,3%)) evaluated the criteria and their application as significant (table 2).

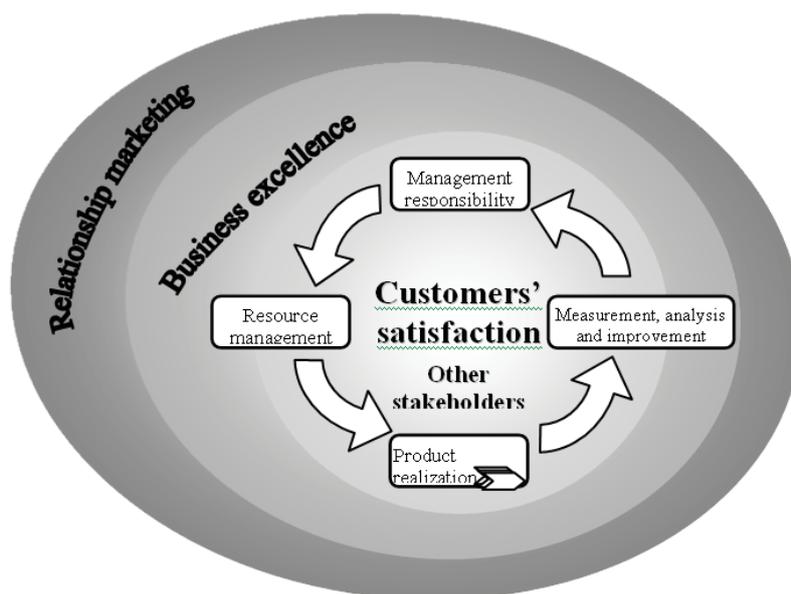


Figure 1. The model for providing satisfaction of customer's requirements as a business strategy

Table 1. Comparative survey of average significance grade that should be paid to the principles of business excellence while defining policy, objectives and tasks in the organization

PRINCIPLES of business excellence	Average grade of the interviewed in companies	Average grade of the experts
Results Orientation	4,17	4,39
Customer Focus	4,42	4,61
Leadership	3,82	4,18
Management by Processes and Facts	3,80	4,06
People Development and Involvement	3,76	3,88
Continuous Learning, Innovation and Improvement	3,68	3,79
Partnership Development	3,94	3,94
Corporate Social Responsibility	3,58	3,39

Table 2. Comparative survey of average significance grade which should be paid to the criteria of business excellence at defining policy, objectives and tasks in the organization.

CRITERIA of business excellence	Average grade of the interviewed in companies	Average grade of the experts
Leadership	3,73	4,00
Policy and Strategy	3,87	4,24
People	3,68	4,21
Partnership and Resources	3,65	3,97
Processes	3,90	4,15
Customer Results	4,47	4,48
People Results	3,58	4,15
Society Results	3,52	3,70
Key Performance Results	4,23	4,27

Table 3, including the companies and experts' grades, shows how important it is to take care about the criteria of business excellence by the leading management in management review. Affirmative answer was given by 65 (83.3%) out of 78 (92.9%) companies and 33 (91.7%) out of 36 (97.3%) experts. Here, statistically signifi-

cant difference was noticed in the answers of the different-type companies ( $p = 0,043 < 0,05$ ) and the grades are shown separately. High average grade of significance, paid to the criteria of business excellence, was noticed. In other words, they were evaluated as significant and particularly significant – the lowest grade was 3.50.

Table 3. Comparative survey of the average significance grade paid, and which should be paid to the criteria of business excellence at management review

CRITERIA of business excellence	Average grade of the interviewed in companies			Average grade of the experts	
	1	2	3		
Leadership	3,67	3,54	3,73	4,00	
Policy and Strategy	4,08	4,04	3,88	4,24	
People	4,33	3,69	3,50	4,21	
Partnership and Resources	4,17	3,69	3,62	3,97	
Processes	4,17	3,73	4,04	4,15	
Customer Results	4,67	4,42	4,23	4,48	
People Results	3,92	3,81	3,50	4,15	
Society Results	3,92	3,46	3,62	3,70	
Key Performance Results	4,67	4,35	4,12	4,27	
ANOVA significance test					
Group: companies					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0,727	2	0,363	3,584	0,043
Within Groups	2,434	24	0,101		
Total	3,161	26			

It is interesting that a particular significance is paid to the principles and criteria which are directly oriented towards customers (the lowest average grade is 4.23); that shows readiness of the organizations to devote themselves to their customers, as well as the importance which the

experts give to this question.

Both companies and experts consider significant or satisfying input elements of relationship marketing concept, especially in the sphere of planning (Table 4).

Table 4. Comparative survey of the average significance grade of input elements in relationship marketing concept

Input Elements of Relationship Marketing Concept	Average grade of the interviewed in companies	Average grade of the experts
Understanding Customers Expectations	4,31	3,88
Building Service Partnerships	3,92	3,42
Empowering Employees	3,66	3,71
Total Quality Management	3,76	3,26

Comparative survey of the average grades which the interviewed used to evaluate the significance of output elements of relationship marketing, especially in the sphere of planning, is given in the

Table 5. It should be emphasized that all the elements were evaluated as significant, both by companies (81 (96,4%) answered the question) and by experts (35 (94,6%) of the interviewed).

Table 5. Comparative survey of average significance grade of output elements in relationship marketing concept

Output Elements in Relationship Marketing Concept	Average grades of the interviewed in companies	Average grades of experts
Quality Product	4,64	4,06
Customer Satisfaction	4,44	4,26
Customer Loyalty	4,04	4,09
Increased Profitability	4,19	3,91

Considering the question which demands definition of management and responsibility over processes, identification of expectations, monitoring, measuring and analyses, a certain generalization can be noticed in the answers, given by experts, when they are compared to those obtained in companies. Nevertheless, we can find some similarities which are presented in the Table 6a for process identification of expectations and Table 6b for process monitoring, measuring and analyses.

It is interesting to notice the moving of responsibility (both companies and experts agree in this) from marketing top manager, for the process identification of expectations, towards sale top manager, for the process of monitoring, measuring and analyses. Especially expressed significance of organizational units (sectors) can be noticed: trade/sale, marketing, development sector and quality sector.

Table 6a. Comparative review of management and responsibility over processes identification of expectations

Given answers		Process identification of expectations			
		Companies			Experts
		1	2	3	
a)	Top manager and/or owner	1 (5,6%)	15 (14%)	6 (9,2%)	13 (17,6%)
b)	Executive management	-	10 (9,3%)	3 (4,6%)	
c)	Development unit manager	1 (5,6%)	12 (11,2%)	4 (6,2%)	7 (9,5%)
d)	Marketing unit manager	3 (16,7%)	4 (3,7%)	15 (23,2%)	25 (33,8%)
e)	Trade/sale unit manager	5 (27,8%)	18 (16,8%)	14 (21,5%)	13 (17,6%)
f)	Quality unit manager (or QMS manager)	3 (16,7%)	9 (8,4%)	9 (13,8%)	10 (13,5%)
g)	Unit managers (generally)	3 (16,7%)	9 (8,4%)	6 (9,2%)	-
h)	Staff in direct contact with services customers or those directly involved in services realization.	-	10 (9,3%)	6 (9,2%)	4 (5,4%)

Kruskal Wallis Test

Grouping Variable: companies

Ranks

	companies	N	Mean Rank
frequency	1	15	15,33
	2	15	30,77
	3	15	22,90
	Total	45	

Test Statistics

	frequency
Chi-Square	10,740
df	2
Asymp. Sig.	0,005

Table 6b. Comparative review of management and responsibility over processes monitoring, measuring and analyses

Process monitoring, measuring and analyses		Given answers	
Companies	Experts		
12 (6,9%)	10 (12,7%)	Top management and/or executive management	(a)
10 (5,7%)			
4 (2,3%)	7 (8,9%)	Development unit manager	(b)
25 (14,3%)	24 (30,4%)	Marketing unit manager	(c)
41 (23,5%)	13 (16,5%)	Trade/sale unit manager	(d)
36 (20,6%)	21 (26,6%)	Quality unit manager (QMS manager)	(e)
17 (9,7%)	2 (2,4%)	Employees in sale network	(f)

## DISCUSSION

Certain problems concerning the acceptance of business excellence and relationship marketing in Serbian economy have the following consequences: the concept of integrated management systems are mainly applied on Serbian market with ISO 9000 series of standards as base. However, it is obvious that strategic orientation towards satisfaction of customers and other stakeholders' requirements is present in certified domestic companies. This is directly confirmed through accepting the incorporation of the principles and criteria of business excellence, concerning planning quality in the future. According to the research results, the criteria of business excellence should also be incorporated in the re-considering phase by the management. Taking all into account, it is not surprising that considerable significance is paid to the principles and criteria which are directly oriented towards customers, with the lowest average grade of 4.23; this shows readiness of the organizations to devote themselves to their customers.

Wide incorporation of organizational and management structure in processes of measuring and analyses, according to the model, from top to employees in direct contact with customers, means making stronger bonds between current activities and strategic decisions where a satisfied customer and his expectations are in the focus. The analyzed results indirectly confirmed this aspect of the model, emphasizing the functions of top manager and/or owner, along with the other managers. Moving management and responsibility over processes can be noticed, going from marketing and top management towards sale top manager. As expected, special attention is paid to organizational units (sectors) like trade/sale, marketing, development sector and quality sector and their management.

It can be noticed from the results' analyses and discussion that theoretic, strategic business model for providing satisfaction of customers' requirements proved to be acceptable and justifiable for Serbian companies in relation to the context presented here.

## CONCLUSIONS AND IMPLICATIONS

The company's objective should be achieving and understanding the optimum level of cus-

tomers satisfaction. The important step in achieving customer satisfaction is to make research of customers' requirements in order to make good business decisions.

The model of business strategy for providing customer satisfaction, presented in this work, is harmonized with the requirements of ISO 9001:2000 series of standards, as well as with relevant proposals and criteria of business excellence, marketing requirements and specific characteristics and requirements of Republic of Serbia's economy. The presented quality model can be considered acceptable and justifiable which has been supported indirectly by statistic indicators concerning planning and management, in other words, by incorporating the principles and criteria of business excellence and relationship marketing defined by the standard (ISO 9000).

The model itself has not been applied in practice or tested but, in our opinion, its use would contribute to a more complete and wider acceptance of the concept of business excellence and/or relationship marketing in the part of certified companies (standards ISO 9000 series) on the territory of the Republic of Serbia. In relation to some limits, we think that the model's validity would be more complete if the research included a greater number of domestic companies, as a sample, even better if this research could cross the borders of Serbian territory and transfer to the countries of the West Balkans.

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