

A big enterprise – Standardization for SMEs (small and medium enterprises)

The part played in standardization of small and medium enterprises (SMEs) does not reflect their economic weight or their numbers in the European Union. Traditionally, larger companies have established corporate standardization and quality management systems that help them produce quality products that are internationally competitive while controlling costs and the use of resources; smaller companies have not been in a position to participate in the same way. Standardization and quality management experts can only be employed and serve SMEs in collective, business support systems – best under the SME associations that would provide the specialized services under a subscription and/or service fee. Moves are underfoot to help bring influence proportionate to their numbers to bear and to change the situation by participation under collective associations, but for the measures to be effective, there is need of locating sources of funding and of experts.



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Standardization and the use of quality management systems are very important tools in penetrating markets – and particularly export markets – either directly or indirectly. SMEs (Small and Medium Enterprises) and especially micro-enterprises quite naturally do not play a leading role in either making or using standards. This is a direct consequence of their organizational and financial position.

The everyday operation of micro-enterprises requires most of the time of the owner/manager to be devoted to production, administration, sales and finances, with practically no time available for strategic activities such as standardization, research or marketing studies. Added

to this time constraint is often the lack of skilled personnel to deal with these technical aspects of the operation.

The system of standards has become very complex, revisions are frequent, some international and/or European standards are not translated in the language of some countries, information overkill can be a problem for the experts and even more so for the overstretched personnel of micro-enterprises.

An ubiquitous need for standards and certification

It is usually market pressure or regulations that impose the use of standards and the establishment of quality management systems upon the micro-enterprises. Large customers of SMEs, some-

times multinationals, demand the conformity of products to standards and the establishment of quality management systems. SMEs that attempt to export soon realize the need for standards and certification. Finally, governments impose safety and environmental standards that SMEs have to follow.

The European standardization system is based on consensus, openness and transparency, and requires the participation of all stakeholders in the formulation of standards. In reality, the participation of SMEs is very limited. Large companies dominate the standardization committees and they use the advance information they derive from their participation to their advantage. The recently completed study initiated by DIN Deutsches Institut für Normung and carried out in Germany, Austria and Switzerland concludes, among other things, that insider knowledge for the participating companies is more valuable than the time advantage. Influencing the content of standards is feasible when participating in the standardization committees.

Among exporters, international or European standards are used to gain access to foreign markets. SMEs are clearly disadvantaged under these conditions because of their limited to inexistent participation in standardization.



Participation of SMEs in the elaboration of standards

NORMAPME was created in 1996 to serve the needs of information on the ongoing European standardization and of participation of SMEs in the development of new European standards. The members of NORMAPME are European SME associations, the largest and most influential of which is UEAPME, the European Association of Craft, Small and Medium-sized Enterprises. Other members of NORMAPME are European sectoral associations of SMEs such as :

- EBC** European Builders Confederation
 - EMU** European Metal Union
 - IFD** International Federation of Roofing Contractors
 - GCI** Génie Climatique International
 - EFTC** European Federation of Timber Construction
 - FEPPD** Federation of European Dental Laboratory Owners
- and
- JEUNE** Young Entrepreneurs in the European Union

The first full year of operation was 1997. During the first five years of operation, NORMAPME has established a system of information tools and channels on

European standardization for SMEs and a network of participating experts in technical committees. Working groups that help formulate positions on draft standards and related subjects (i.e. directives, policies and regulations) support the experts.

A Web site, a newsletter and ad hoc circulars are the main tools by which it communicates information to the members and indi-

vidual SMEs. The experts participating in TCs and in working groups also play a significant role in communicating information to the associations and in formulating common positions.

As of present, NORMAPME experts have observer status in 11 CEN (European Committee for Standardization) technical committees. As of 2001 there was also one expert on the ISO/TC 176/SC 2, *Quality systems*.

NORMAPME has acquired associate member status with CEN and CENELEC and observer status with ETSI (European Telecommunication Standards Institute) while it has a liaison organization status with ISO.



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Obstacles to participation in more technical committee work

Two major problems have hindered the expansion of NORMAPME in participating in more technical committees and in initiating other actions that would stimulate the participation of SMEs in standardization:

Lack of adequate funding

The funding of NORMAPME has been mainly subsidies by the European Commission. They have been often decided late in the calendar year, allowing little financial security for efficient investment and activity. For more than two years, the funding has been inadequate and unpredictable.

Lack of a critical mass of standardization experts working for SMEs

This is a structural problem of the standardization system that has been conceived and mainly run by large companies and governments, and it has not been yet adapted to include the SMEs – despite their importance in the European economy.

The funding problem can be addressed easily in various ways. The EC has a plan to establish a service contractor to provide information to the SMEs and to transmit the SME positions to the standardization bodies. When the service is established and has functioned smoothly for several

years, it will bring about invaluable improvement in the way SMEs influence standards.

The lack of experts that are supported by a well structured system of reference points, databases, higher level experts, training and information systems is more difficult to address.

Large companies have long established corporate standardization and quality management systems that help them produce quality products that are internationally competitive while controlling costs and the use of resources. Their higher profitability compared to SMEs is in large part based on their use of stan-

dards and quality systems. Examples of the number of experts working in some leading companies (SHELL, SIEMENS, MAPA GmbH of the TOTALFINA group) put the benchmark at one expert per approximately 200 employees. It is obvious that only exceptional small and micro companies can afford even one standardization expert, while only the largest of the medium companies can afford one.

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Under these conditions, standardization and quality management experts can only be employed and serve SMEs in collective, business support systems – best under the SME associations that would provide the specialized services under a subscription and/or service fee. This is necessary in order to organize the training, information and reference system that is needed to keep this expert network updated and to follow the rapid developments in standardization. It is also necessary to have a relationship of trust with the SMEs that can best be maintained within the organizations. It is also clear that the implementation of standards within small companies requires a different approach from that within large companies, and thus the experts required must be trained accordingly.

Challenges of transition to the new ISO 9001:2000 standard

One might justifiably ask whether the consulting companies and certifiers could not fill this role. The large companies have clearly opted for having their own standardization and quality personnel. It is obvious that without internal control of the quality of the services offered commercially, such services may fail to produce



SMEs – small, but significant in international trade

SMEs constitute the vast majority of enterprises in Europe. The companies of up to 250 employees, the usual definition of SMEs in Europe, make up 99,8 % of the approximately 19 million enterprises of the European Union.

What is more important, 93 % of companies are micro-enterprises having less than 10 employees. Micro-enterprises provide 35 % of the total employment in the European Union (EU), ahead of large companies that employ 34 % of the total. Even more significantly, micro-enterprises have added employment during the last 10 years up to 2000, while all other segments of enterprises have shed employees. Significant numbers of micro-enterprises have also grown into small enterprises (10 to 49 employees) between 1993 and 2000.

Thus SMEs dominate the European Union economy in terms of number of enterprises, employment, and added value, while they fall behind large companies in direct exports. Micro-enterprises dominate in employment and employment creation. If indirect exports, i.e. supplying domestically the direct exporting firms, are taken into account, the SMEs also play a significant role in international trade.

the intended results. A very recent (ongoing) example of inadequate services offered commercially is the transition to the new ISO 9001:2000 standard that constitutes the core of quality management around the globe.

The transition to the new standard was supposed to have started based on training and audits according to the draft standard as of 1999. A transition period of three years up to 15 December 2003 was established for companies that were already certified to the 1994 standards. New certifications should be according to the new standard while previously certified companies were encouraged to transfer as soon as possible to the new versions. This recommendation is clearly stated in the Transition Planning Guidance document:

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Current Users

Organisations certified to ISO 9001:1994, ISO 9002:1994 or ISO 9003:1994 are recommended to contact their specific Certification/Registration Body to discuss the time frame for re-certification or upgrade of current certificates.

Transitional/Intermediate Users

Transitional/Intermediate users are those who either have implemented, or are currently in the process of implementing, ISO 9001:1994, ISO 9002:1994 or ISO 9003:1994.

Due to the change from the current 20 system element structure of the 1994 family of ISO 9000 standards to that of a process management approach, it is strongly recommended that this user group review their systems, or the development of their systems, against the requirements of ISO 9001:2000.

New Users

Some new users may be currently considering the implementation of ISO 9001:1994, ISO 9002:1994 or ISO 9003:1994, it is recommended that they also evaluate their quality system objectives with a view to implementing ISO 9001:2000.

The practice of the first year – 2001 – has proven catastrophic. We have searched for publicly available information on registration of new certifications, and have found the registration databases of SIN-CERT (Italy), AFAQ (France), ELOT (Greece), comments by AENOR, ISO



member for Spain, in response to the early market reaction survey and published certificates by enterprises throughout Europe. It appears that in all countries of the European Union, a large proportion of new certifications have been carried out according to the 1994 standards. In Italy the proportion is approximately 80 %, in Spain it is reported at 84 %, in France our estimates are 60 %, and in countries like Germany, the Netherlands and Sweden it appears that more than 50% of certifications are registered to the old standards. There are even published cases of certifications of ISO 9002:1994 with expiry dates well into 2004 (Greece, France, Italy) – that is, beyond any validity deadline. What was meant to be a period of coexistence of pre-

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vious certifications according to the 1994 standards with new certifications to the 2000 standards has been used as an excuse to issue the majority of new certificates by the superseded 1994 standards. The result is increased costs of certification, commercial problems and possible legal liabilities.

It is clear that the commercialization of consulting and certification services has undermined the base of the quality man-

agement systems. Large companies have the possibility to analyse the risks and take well-documented decisions. SMEs can be – and have patently been – the victims of the sale of invalid services. It is important to inform SMEs of the dangers of such practices such as their exclusion from public procurement, international sales, and legal complications in case of product liability lawsuits.

More important in the long run is to initiate a system of training of standardization experts for SMEs backed up by a system of information reference. These systems should reside within the SME associations in order to preserve the interests of small companies as distinct from the interests of large companies and of commercial consulting and certification organizations.

Establishing such a system of standardization expertise for SMEs will increase the competitiveness of European SMEs and of the European economy in general. It is in the interest of the standardization organizations at international, European and national levels and of the governments to support this transformation that will be greatly profitable for everyone and will increase the quality of life. □