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Beata Javorcik* and Naotaka Sawada*

Abstract

This paper examines the effect of obtaining an ISO 9000 certification on various aspects of business performance using firm-level panel data from Slovenia covering the period 1987-2006. To control for the possible endogeneity of obtaining the certification propensity score matching is combined with a difference-in-differences approach. The results indicate that an ISO 9000 certification boost the certified firm's sales, exports and employment. It also has a positive effect on profits, profitability ratio, labor productivity and wages, though these effects appear with a delay and the latter two are less robust.

Keywords: ISO 9000, management, firm performance

JEL classification: M10, M31, F16, J31, O52

1. Introduction

Until recently the quality of management practices has not received much attention in the economics profession. Yet, management matters. Management heterogeneity can explain a significant amount of variation in investment, financial, and organizational practices of firms (Bertrand and Schoar 2003). Measures of managerial practice are strongly associated with firm-level productivity, profitability, Tobin's Q, and survival rates. Management practices also display significant cross-country differences and significant within-country differences (Bloom and Van Reenen 2007; 2010). Improvements in management practices translate into better performance within months (Bloom et al. 2013).

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