

A Case Study on TQM for Micro, Small and Medium Enterprises in India (Total Quality Management)

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Abstract

MSMEs play a very important role in the economy of any country and it is more so in a developing country like India. They play a role in boosting the economy of a country. Total quality management (TQM) is an enhancement to the traditional way of doing business. It is a proven technique to guarantee survival in world-class competition. The paper examines the way the Indian industries understand the total quality management approach. Total quality management (TQM) an evolutionary concept, has evolved with human civilization. In recent years, TQM has received attention worldwide. This paper focuses on the Applications of total quality management in MSMEs. Micro, Small and Medium Enterprises (MSMEs) sector has emerged as a strong pillar of Indian economy with important contributions to countrywide economy. MSMEs are unceremonious in nature; the contribution of the sector to India's GDP has been mounting consistently at 11% per annum, higher than overall GDP growth of 7-8%. The paper gives an overview of MSMEs. The trend towards global market orientation and trade liberalization force MSMEs moving to implementation of quality systems.

Keywords: Applications, India, MSMEs (Micro, Small and Medium Enterprises), TQM (Total Quality Management)

Introduction

MSMEs are the abbreviation for Micro, Small and Medium Enterprises. These enterprises can be rightly called as the backbone of the GDP of India. The MSME sector in India is growing at an exceptionally fast rate due to which it is proving to be beneficial to the Indian Economy. Total quality management (TQM) is an enhancement to the traditional way of doing business. It is a proven technique to guarantee survival in world-class competition. Only by changing the actions of management will the culture and actions of an entire organization be transformed. Total quality management (TQM) has become latest management mantra in globalised and drastically changing business environments.

Recently the organizations are considering the TQM as magic cure for improving organizational performance, creating learning organization modification of the behaviour of both the employees and the management. Quality has awakened all the nations, industries and organizations around the world. The word "quality" means different things to different people. The ranges of meanings include that quality is excellence, value, conformance to specifications, conformance to requirements, fitness for use, customer satisfaction, meeting and exceeding customers' expectations and minimizing the loss imparted to society. Successful companies over the years have not fundamentally redefined the word quality; they have expanded it to design and service quality. Incorporating the customer's requirements into the product design and services requires companies to change the way they treat their customers. Companies now need to translate the words and ideas of customers into product and service specifications. Quality is widely recognized as one of the most important disciplines/strategies or competitive priority for an organizational development. Quality management tools and techniques are practical methods, skills, means or mechanisms that can be applied to particular tasks to facilitate positive changes and improvements. Examples of them are: benchmarking, cross functional team, statistical process control (SPC), brainstorming, quality function deployment, and design of experiment (DOE). TQM is one of the most important management innovations of the 20th century, and it has more influence on contemporary management practices than any other management movement.

TQM is a concept introduced by business and industry to establish standards and techniques that ensures the quality of products leaving and reaching firms through continuous action rather than through one final inspection. TQM, “as an approach to doing business that attempts to maximize the competitiveness of an organization through the continual improvement of the quality of its products, services, people, processes, and environments.

MSMES an Overview

The MSMEs Sector occupies a position of extent in the Indian economy. The role of Micro, Small and Medium Enterprises is of paramount importance in the economic and social enlargement of the country. The government established the Ministry of Small Scale Industries, Agro, and Rural Industries (SSI & ART) in October 1999 as the nodal ministry for formulation of policies and programmes and schemes, their accomplishment and related coordination, to supplement the efforts of the states for endorsement and expansion of this category of industries in India. There are 30 million enterprises in various industries, employing 69 million people. Together, these account of 45 per cent of the manufactured output and 40 per cent of our exports. The sector is estimated to employ about 595 lakhs persons in over 261 lakhs enterprises throughout the country. Further this sector has consistently registered a higher growth rate than the rest of the industrial sector .There are over 6000 products ranging from traditional to high tech items ,which are bearing manufactured by the MSMEs in India.

Finance is a key participation of production, distribution and development. It is, therefore, appropriately described as the lifeblood of industry and is a pre essential for accelerating the process of industrial development. During the pre independence period, financial constraints had hampered the rapid development of industries in the country. India, after her independence in 1947, embarked on the path of industrialization to achieve the much needed economic growth for development.

Micro, Small and Medium Enterprises Development Act, 2006

The Government of India enacted the Micro, Small and Medium Enterprises Development (MSMEs) Act, 2006 on June 16, 2006 which was notified on October 2, 2006. With ratification of MSME Act 2006, the paradigm shift that has taken place is the inclusion of the services sector in the definition of micro, small and medium enterprises, apart from extending the scope to medium enterprises, The MSMEs Act , 2006 has modified the definition of micro, small and medium enterprises engaged in manufacturing or production and providing or rendering of services.

Definition of Micro, Small and Medium Enterprises

The Act has also defined medium enterprises for the first time. The enterprises are further classified into Micro, Small and Medium categories. The investment limits of these enterprises are as follows:

I. Manufacturing Enterprises:

- i)** A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs.25 lakhs;
- ii)** A small enterprise is an enterprise where investment in plant and machinery is more than Rs.25 lakhs but does not exceed Rs.5 crore: and
- iii)** A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crores but does not exceed Rs.10 crore.

II. Service Enterprises:

- i)** A micro enterprise is an enterprise where the investment in equipment does not exceed Rs.10 lakhs;
- ii)** A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakhs but does not exceed Rs.2crore: and
- iii)** A medium enterprise is an enterprise where the investment in equipment is more than Rs.2 crores but does not exceed Rs.5 crore.

The Application of Total Quality Management within MSMEs

Small and Medium Enterprises (SME's) play an important role in modern economies because of their flexibility and ability to innovate. In nearly every country, SMEs play a significant role in providing employment opportunities and supporting large-scale manufacturing firms. It is important for SME's to remain competitive as they are considered the lifeblood of a modern economy. TQM as a philosophy is of particular importance to SME's operating in a developing region, since it can foster continual improvement through a systematic, integrated, consistency. The continuously growing competition on the market place has forced many SME's to start focusing on quality improvements and cost reduction in order to stay competitive.

TQM is the way of managing for the future, and is far wider in its application than just assuring product or service quality – it is a way of managing people and business processes to ensure complete customer satisfaction at every stage, internally and externally. TQM, combined with effective leadership, results in an organization doing the right things right, first time. The core of TQM is the customer-supplier interfaces, both externally and internally, and at each interface lie a number of processes. This core must be surrounded by commitment to quality, communication of the quality message, and recognition of the need to change the culture of the organization to create total quality. These are the foundations of TQM, and they are supported by the key management functions of people, processes and systems in the organization.

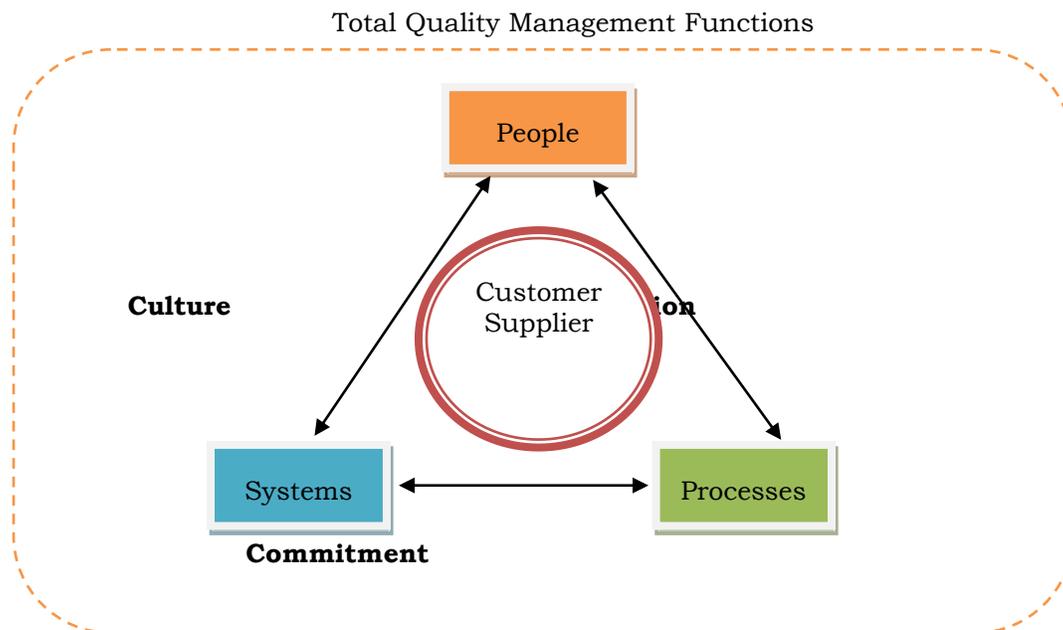


Figure1

TQM Can Be Conceptualized Into the Following Three Processes

1. Quality process: it is for understanding that the customer is what are his /her needs and taking steps to completely satisfy the needs of this customer.
2. Process for continuous improvement: the term management refers to managing continuous improvement and does not address any specific organizational level. The process comprises the PDCA cycle and its continuously evolving emendation, checking causes, checking effecting, taking appropriate action, and preventing recurrence. Management process addresses continuous improvement to keep pace with the:
 - a. Changing requirements
 - b. Competitive environments, and

c. Technological advances.

3. People process: it is initiating and maintains the TQM: it is carried out through involvement of all employees based on all the three values, namely, intellectual honesty and self-control.

Need For TQM in Micro, Small and Medium Enterprises

Having gone through the meaning of TQM, now three questions come in the mind: (i) why is TQM needed in small enterprises? It is easy to start small enterprises but difficult to make them survive. It is more so in the context of ever increasing competition in business region by liberalization, globalization and privatization of the Indian economy only those enterprises can survive who possess strength to face the stiff and complex competition, further, small enterprises find it more difficult to face competition due to their small size in all respects be these finance, technology, managerial competencies etc.,

- a) Increased efficiency in processes
- b) More time for innovation and creativity
- c) Higher morale of employees
- d) Improvement in the quality of products and services
- e) Increased customer satisfaction
- f) Larger market share
- g) Higher productivity
- h) Higher profits

Importance of Total Quality Management

Implementing a total quality management system has become the preferred approach for improving quality and productivity in organizations. TQM, which has been adopted by leading industrial companies, understood that it is a participative system empowering all employees to take responsibility for improving quality within the organization. Instead of using traditional bureaucratic rule enforcement, TQM calls for a change in the corporate culture. Quality management is important to companies for a variety of reasons like, product quality, customer satisfaction, and increased revenues, reduce waste and teamwork.

TQM Process in Micro, Small and Medium Enterprises

The purpose of TQM is to meet the requirements of customers consistently by continuous improvement in the quality of work of all employees. For this, TQM involves the following process, the process of TQM in MSMEs presented in the following figure.

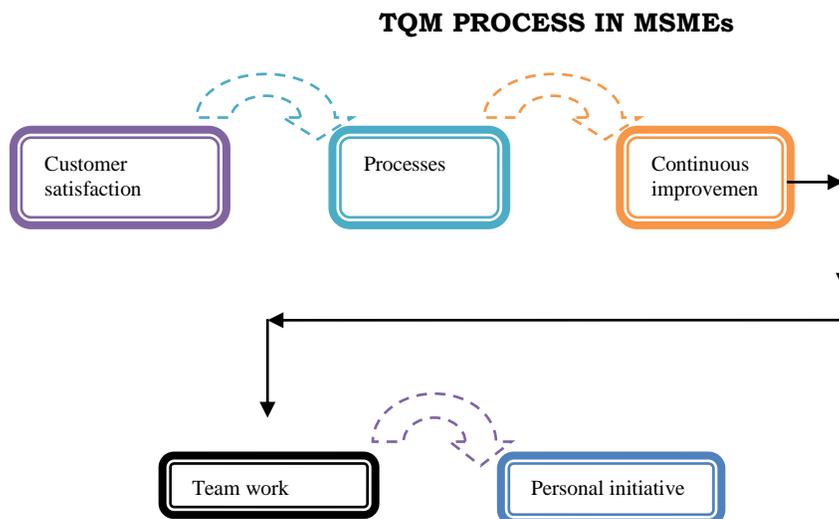


Figure 2

1. Customer Satisfaction

Customer is one who buys other's goods and services. Today, customer dictates production or market. The long-term success of any business, therefore, depends on customer satisfaction. This is especially true for small businesses where the impact of losing even a single customer can be serious. The first step in planning for customer satisfaction is to understand what customers expect from the product or service is to be provided to them.

1. Document the results of the work performed
2. Identify everyone (customer) who receives the outputs.
3. Pinpoint the output characteristics the customer wants, require, or expect
4. Verify output requirements, determine requirement importance, and understand current level of satisfaction.

2. Processes

Process can be defined as a series of inter-dependent tasks that produce results. This requires transformation of inputs into outputs. Processes exist in every part of an organisation. People mistakenly think of only production or manufacturing operations. In fact, the word 'process' is all embracing one. As every part of an organisation performs work, all these should be systematically defined to include them in the process. Administration, billing sales, maintenance, recruitment, and training are the examples of different parts of organisation in which process exists.

3. Continuous improvement in processes

The third step involved in TQM is making efforts for continuous improvement in process. The first step in improving a process is to eliminate the waste associated with the process.

4. Team work

The fourth element involved in TQM process is teamwork. A team is a group of individuals who work together on one or more common processes. These individuals may all be from the same department, represent several departments, or involve an external supplier or customer.

5. Encouraging personal initiative

TQM process completes with encouraging personal initiative in organizational functioning. Empowering breeds personal initiative. "An empowered organization is one in which individuals have the knowledge, skill, desire, and opportunity to personally succeed in a way that leads to collective organizational success.

Conclusion

Total Quality Management (TQM) has become latest management mantra in globalised and drastically changing business environments. Recently the organizations are considering the TQM as magic cure for improving organizational performance, creating learning organization, modification of the behaviour of both the employees and the management. Quality is essence of all the business and the manufacturing activities is clear in the mindsets of the Indian organizations. It is evident that total quality management like the one many other management techniques propounded from time-to-time is based on a serious philosophy of continuous improvement and customer satisfaction. It cannot be applied hurriedly and results cannot be achieved overnight. It needed complete change in mind set which required enough time to believe on the concepts of TQM. The MSMEs the world over have been undergoing crucial changes in response to the manifold imperatives of globalization. In India, the historical role of MSMEs in creating sufficient opportunities or employment for the teeming millions has come to occupy secondary status in the face of original strategies to ensure external orientation, Achieving manufacturing competitiveness and emerge notable global player. Total quality management has become latest management mantra in globalised and drastically changing business environments. Recently the organizations are considering the TQM as magic cure for improving organizational performance, creating learning organization, modification of the behaviour of both the employees and the management. TQM is a continuous improvement in all parts of an organization with a view to consistently satisfy customer needs. TQM is needed to satisfy 3Cs i.e., customer, completion and cost.

The five elements involved in TQM Process Are Customer Satisfaction, Processes, Continuous Improvement, Team work and personal initiative.

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