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RELATIONSHIP BETWEEN QUALITY MANAGEMENT AND BUSINESS PERFORMANCE IN SMALL AND MEDIUM ENTERPRISES (SMEs)



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**ABSTRACT:**

The main objective of research study is to examine the relationship between quality management and business performance in (SMEs) and data has been collected through well structured questionnaire on five degree likert scale from to a great extent to not at all from 110 units of micro, small and medium enterprises which are established within rural and urban areas and engaged in manufacturing sector. In modern

era quality of product positively and directly linked with improvement in business performance whether large or small scale industries in competitive business environment and liberalized global economy. The entrepreneurs of these business enterprises should continuous conduct the training programs in their organization regarding implementation of total quality management and improvement in their customer services through supply chain management and distributional channels. Team work always positively and directly affects the efficiency and productivity of employees and business organization concerned so the entrepreneurs of small and medium enterprises should be created the quality leadership for their workers and employees to increase team work in the organization.

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## KEYWORDS

*Economic Development, Business Performance, Global Economy, Quality Management, Competitive Business Environment.*

## INTRODUCTION :

Many factors which improve performance of Indian industry such as leadership, customer focus, training, supplier quality management, product design, process management, and team work (Kalra and Pant 2013). Improved employee participation and morale, improved products and service quality, reduced customers' complaints increase the profitability of the company (Kendra *et. al.* 2009). Co-worker support and organizational support concerned TOM strong and positively related with organizational performance (Joiner 2007). Supplier quality management, process management, quality data and reporting most significant factors in enhance business performance (Kevin *et. al.* 2011). There is significant relationship between quality management and improvement in firm' business performance in both large and small business enterprises (Fred *et. al.* 2008). Customer's and supplier relations, product, process management and workforce management positively effects business performance (Cristobal *et. al.* 2011). Top management support, employee training and involvement also increase the operational performance (Mohour *et. al.* 2011). Quality leadership plays an important role in enhancing organizational performance in SMEs (Changiz 2011). Quality management practices such as supplier relationship, benchmarking, top management commitment and customer focus have a positive impact on performance of SMEs (Malik *et. al.* *IJET-IJENS*10/4). After agriculture second largest sector called micro, small and medium enterprises (MSMEs) employment opportunities providing to population of developing country like India. Economic development of both developed and developing countries solely relies on the success of small and medium enterprises if it grows economic development natural improve. In competitive era quality of products positively and directly linked with improvement in business performance in large or small scale industries in competitive business environment and liberalized global economy. Quality is recognized as the indispensable and success driver to meet the needs and requirements of the domestic customers, export and import of products in the international market. Small and medium enterprises in India which implemented ISO-9000-2008 are positive concept regarding quality management. Then total quality management approach can meet the intense of global competition for developing country like of India. Total quality management broadly accepted as a quality strategy to increase quality of the products and business performance whether it is large or small business organization.

## LITERATURE REVIEW

Samuel and Adegbola (2014) most of the research study discussed impact of quality management on business performance extensively in the literature review and some of the literature has concluded the benefits of quality management like improvements to the bottom-line, improvement in market share, increase in productivity, and improvement of product and service quality is positively related with firms performance and can achieve competitive advantage in the market place. But it depends on implementation of quality management which improves firm's performance and network in achieving organizational goal and objectives.

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Caralyne and Bichanga (2014) involvement of top management positively related with financial performance, process management also positively affects the performance in banking sector. Supplier's relation also positively related with performance of the business organization.

Bon and Mustafa (2014) the result disclosed that employee involvement and training have positive impact on administrative innovation. The study suggested that quality managers need to more attention on employee empowerment and training.

Kamath *et. al.* (2013) service quality influenced organizational performance, productivity and market share and profitability of the organization positively.

Majed *et. al.* (2013) research study showed that total quality management an effective tool to enhance quality and better improvement. The study suggested that organizational leadership style also positively affect the successful implementation of total quality management.

Agus *et. al.* (2013) quality management practices have positive impact on productivity, profitability, quality measurement, employee focus, suppliers' relation, benchmarking and training programmes have strong contribution in implementation of quality management.

Shekoufeh and Siavash (2013) confirm that total quality management aspects affects the quality performance, it leads to improvement in the functionality in the telecommunication organizations. New technology could improve the product quality. It was concluded that total quality management methods, leadership, employee relations, customers' relation, and process / product management positively and significantly affect the quality, innovation and organizational performance.

Hassan *et. al.* (2013) concluded that total quality management uniquely affects the organizational performance through (ERP) enterprises resource planning and performance can be increased by crating entrepreneurial organizational culture.

Kitheka *et. al.* (2013) good quality management reduced the lead time, increased responsiveness to customers orders and enquiry, customers loyalty, increased profitability, reduced opportunity cost, and effective communication between organizational suppliers and customers.

Yasar *et. al.* (2012) total quality management approach improves quality and performance meet customers' expectations. Quality management system affects the sales, finance, operations and customer services and marketing services of the organizations. The study suggested that total quality management can be implemented not in small and medium enterprises but publically.

Alemu *et. al.* (2011) quality management practices improved overall business performance by reduces operation cost, increase resource utilization, to motivate workers, to increase employee skills.

Fotopoulos and Psomas (2010) total quality management significantly effects the company's performance through top management, employee involvement, customer focus, process and data quality management, Employee participation should increase in the business organization it will improve the customer satisfaction.

## OBJECTIVES AND RESEARCH METHODOLOGY

The study examines effect of quality management on business performance. To fulfill the purpose of the research the data has been collected through well structured questionnaire on five degree likert scale from to a great extent to not at all from 110 units of micro, small and medium enterprises which are established within rural and urban areas and engaged in manufacturing different types of goods in Haryana state. The questionnaire was piloted for validity and cronbach's alpha

coefficient used to test the reliability of the measurement scale giving 0.943 cronbach's alpha coefficient which is above the minimum acceptable threshold of 0.70. The data have been analyzed through SPSS version 20 and ANOVA performed to examine the relationship between independent variables and dependent variable. The results of the reliability testing are proved that Cronbach-alpha coefficients is high Indicating the measurement tool is reliable and appropriate for subsequent data analyses. Correlation analysis also has been performed to examine the strengthen relationship between independent variables.

### RESEARCH HYPOTHESES FORMULATED

Ho:<sub>1</sub> there is no significant difference between improvement in customer services and improvement in business performance in small and medium enterprises related to quality management.

Ho:<sub>2</sub> there is no significant difference between improvement in quality awareness and improvement in business performance in small and medium enterprises related to quality management.

Ho:<sub>3</sub> there is no significant difference between improvement in internal procedure and improvement in business performance in small and medium enterprises related to quality management.

Ho:<sub>4</sub> there is no significant difference between improvement in on time delivery and improvement in business performance in small and medium enterprises related to quality management.

Ho:<sub>5</sub> there is no significant difference between low quality cost and improvement in business performance in small and medium enterprises related to quality management.

Ho:<sub>6</sub> there is no significant difference between increase in organizational efficiency and improvement in business performance in small and medium enterprises related to quality management.

Ho:<sub>7</sub> there is no significant difference between improvement in corporate image and improvement in business performance in small and medium enterprises related to quality management.

Ho:<sub>8</sub> there is no significant difference between improvement in strategic planning and improvement in business performance in small and medium enterprises related to quality management.

Ho:<sub>9</sub> there is no significant difference between reduction in customer complaints and improvement in business performance of in small and medium enterprises related to quality management.

Ho:<sub>10</sub> there is no significant difference between increase in team work and improvement in business performance in small and medium enterprises related to quality management.

The above formulated hypotheses have been verified and proved on the basis of empirical evidence and studies which conducted by different quality of researcher and experts concerned with organizational and business performance in the areas of quality management.

## Statistical Analysis

Table: 1 (ANOVA Results)

Name of the independent variable	Sum of squares	df	Mean Square	F Value	Significance Level	Hypotheses Verified
Improvement in customer services	27.233	3	9.074	30.928	.000	H <sub>0</sub> : Rejected H <sub>1</sub> : Accepted
	31.041	106	.293			
	58.264	109				
Improvement in quality awareness	8.277	3	1.123	7.219	.000	H <sub>0</sub> : Rejected H <sub>1</sub> : Accepted
	15.587	106	.156			
	23.864	109				
Improvement in internal procedure	16.402	3	5.467	28.878	.000	H <sub>0</sub> : Rejected H <sub>1</sub> : Accepted
	21.562	106	.203			
	37.964	109				
Improvement in on time delivery	5.089	3	1.696	15.107	.000	H <sub>0</sub> : Rejected H <sub>1</sub> : Accepted
	11.902	106	.112			
	16.991	109				
Low quality cost	3.040	3	1.013	4.485	.005	H <sub>0</sub> : Rejected H <sub>1</sub> : Accepted
	23.951	106	.226			
	26.991	109				
Increase in organizational efficiency	6.243	3	2.081	12.518	.000	H <sub>0</sub> : Rejected H <sub>1</sub> : Accepted
	17.621	106	.166			
	23.864	109				
Improvement in corporate image	27.082	3	9.027	31.543	.000	H <sub>0</sub> : Rejected H <sub>1</sub> : Accepted
	30.336	106	.286			
	57.418	109				
Improvement in strategic planning	18.924	3	6.308	54.558	.000	H <sub>0</sub> : Rejected H <sub>1</sub> : Accepted
	12.249	106	.116			
	31.173	109				
Reduction in customer complaints	9.990	3	3.330	13.720	.000	H <sub>0</sub> : Rejected H <sub>1</sub> : Accepted
	25.728	106	.243			
	35.718	109				
Increase in team work	32.758	3	10.919	35.161	.000	H <sub>0</sub> : Rejected H <sub>1</sub> : Accepted
	32.915	106	.311			
	65.673	109				

Source: Primary Data

Table 1 depicts that improvement in customer services, improvement in quality awareness, improvement in internal procedure, improvement in, on time delivery, low quality cost, increase in

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organizational efficiency, improvement in corporate image, improvement in strategic planning, reduction in customer complaints, and increase in team work positively affects the business performance in small and medium enterprises.

Table: 2 Correlation matrix

Name of the Variables										
Improvement in customer services	1									
Improvement in quality awareness	.445**	1								
Improvement in internal procedure	.338**	.210*	1							
Improvement in on time delivery	.258**	.200*	.468**	1						
Low quality cost	.448**	.457**	.425**	.277**	1					
Increase in organizational efficiency	.231*	.216*	.166	-.032	.382**	1				
Improvement in corporate image	.435**	.390**	.248**	.102	.486**	.661**	1			
Improvement in strategic planning	.321**	.286**	.308**	.403**	.174	.235*	.370**	1		
Reduction in customer complaints	.365**	.353**	.113	.442**	.340**	.028	.200**	.445**	1	
Increase in team work	.320**	.200**	.459**	.192*	.352**	.443**	.556**	.362**	.159	1

Source: Primary Data

\*\*Correlation is significant at the 0.01 level (2-tailed)

\*Correlation is significant at the 0.05 level (2-tailed)

Table 2 indicates that improvement in customer services is highly and positively correlated with business performance in small and medium enterprises. The various factors like improvement in on time delivery, improvement in strategic planning, reduction in customer complaints, increase in team work also positively correlated with business performance. The entrepreneurs of these enterprises should created work culture with the help of team work within employees and workers in their business organization.

### INDUSTRIAL IMPLICATIONS

The research study obviously concluded remarks concerned with improvement in customer services which effects strongly business performance, entrepreneurs of small and medium enterprises creates adequate supply management and distributional channel to provide better services to the



customers. Team work also greatly contributed in improvement of business performance then entrepreneurs and production manager engaged in production process in manufacturing units for work culture should creates quality leadership to motivate workers and employees.

## CONCLUSION

The forgoing analysis reveals that improvement in customer service, improvement in internal procedure, increase in organizational efficiency, improvement in strategic planning, and reduction in customer complaint contributed positively increase in business performance in small and medium enterprises. The entrepreneurs of these business enterprises should continuous conduct the training programs in their organization regarding implementation of total quality management and improvement in their customer services through supply chain management and distributional channels. Team work always positively and directly affects the efficiency and productivity of employees and particular business organization so by the entrepreneurs of small and medium enterprises should be created the quality leadership for their workers and employees to increase team work in the organization. Some of the studies concluded that there is lacking the adequate strategic planning in small and medium enterprises accordingly changing business environment and competition with large scale Industries' products to compete it entrepreneurs of these enterprises should improvement their strategic planning as per requirements of customers' needs.

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