



THE IMPACT OF HUMAN RESOURCES AND TOTAL QUALITY MANAGEMENT ON THE MICROENTERPRISE- SUCCESS

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Abstract

This paper presents the view of the authors with respect to the relationship that exists between total quality management, human resources management, competitiveness and ISO 9000 and the impact of this relationship on the sustainability of the enterprise. Today's highly competitive environment forces enterprises to pay attention to quality and human resources needs in order to be sustainable. The proposed conceptual models will help the persons of interest to have a better understanding of the relationship between the practices and step by step implementation to improve business performance. Micro enterprises, businesses with five or fewer employees, represent about 75% of all small business, and are often the starting point for successful firms. Why then is there a paucity of research on human resource practices in small businesses? Micro businesses are almost ignored in studies regarding human resources in business. Researchers have assumed that all small firms have the same human resource practices; however, we know this is not the case. What impact does Human Resources Management have on small businesses? Human resource shortages can negatively impact business growth in the areas of high tech employees, sales staff, and professional workers. This study explored key human resource practices in micro businesses, especially on the relationship between sales, benefits, training opportunities and hiring expectations within micro enterprises. Our findings on human resources management showed that only 25% of responding micro entrepreneurs provided paid vacations, 12.9% offered health benefits, and 10% offered some type of retirement

plan. Also, organizations with higher sales provided more benefits and training opportunities than other micro businesses.

Keywords: small business, micro enterprise, human resources management, sustainability; continuous improvement; competitiveness; conceptual model, tqm.

1. Introduction

This paper focuses on demonstrating that Total Quality Management (TQM) has a special relationship with human resource management when it comes to systems for continuous improvement. Human resource management is practiced as part of quality planning at the enterprise level and thus directed to the needs of the internal consumer. Furthermore, the purpose of performance management in TQM and human resource management is to improve performance; therefore, the challenge is not only to improve the quality of the system, but also to improve people's performance.

TQM is recognized as one of the major innovations of the last decades in the field of management. There are a variety of definitions of TQM, but in this paper we will refer to this concept as "the efforts to meet and preferably Our current study, based on responses of 959 microenterprises in Maryland, attempts to address what HR practices are in these very small businesses. The study, exploratory in nature, provides descriptive data on HR issues and practices, as well as their relationship with variables such as sales, years in business, gender, and education level.

Microenterprises are important to the economy, to job creation, and to innovation in business. They comprise more than one-half of all small businesses, many of them starting out or operating long-term from home (SBA, 2004,

2009). Despite the overwhelming number of micro businesses, however, there are very few studies on micro enterprises in general and, specifically, on the nature and role of HRM. This research focuses on the HR practices of micro firms and the relationship between sales, benefits, training opportunities and hiring expectations within micro enterprises.

2. The relation between total quality management, human resources and competitiveness

"TQM is both a philosophy and a management program" (Palo & Padhi, 2005). In implementing TQM processes in an enterprise, the Human Resources Department plays a major role: that of developing and communicating the TQM vision, of preparing the organizational details for the implementation of TQM procedures, the actual implementation and providing necessary support to maintain the enthusiasm about TQM. The Human Resources Department can act as a pivot agent in the change process with comparative analyzes of the needs of the enterprise. It may also develop and deliver training programs that reflect the long-term mission and vision of the company. Human resource management can act as a tool with a major role in the implementation of TQM in two ways:

By modeling the TQM philosophy and principles at operational level in the department, the Human Resources Department can serve as a launching point for the TQM process across the enterprise.

The Human Resources Department, with help from the management team of the

enterprise, can transfer this process from the department level to enterprise level by creating an organizational culture necessary for the development and acceptance of TQM.

The Human Resources Department also has a major role in the recruitment, selection, appraisal and development of reward systems to institutionalize a quality-based orientation. An assessment of the capacity of the Human Resources Department to institutionalize TQM starts with an understanding of the TQM philosophy. In other words, TQM relies on the involvement of the management team and that of the workforce.

Over the past decades, TQM and Human Resource Management were important aspects of the business environment, being a subject of much research in the field due to the major impact that they may have on individual and organizational performance (Ooi, Teh, & Chong, 2009). Intensifying the efforts to increase the competitiveness of the enterprise is a necessity nowadays and must be achieved through an approach in terms of TQM and human resources (Hataani & Mahrani, 2013). TQM is an approach whose goal is to maximize competitiveness through continuous improvement of product quality, human resources, services, processes and environment (Jumenez & Martinez-Costa, 2009). TQM can be explained as a relationship between systems and the implementation of quality, closely related to competitiveness and performance (Azizan , 2010). The role of both human resource management and TQM is to create a culture / high performance-based system (Ooi, Teh, & Chong, 2009).

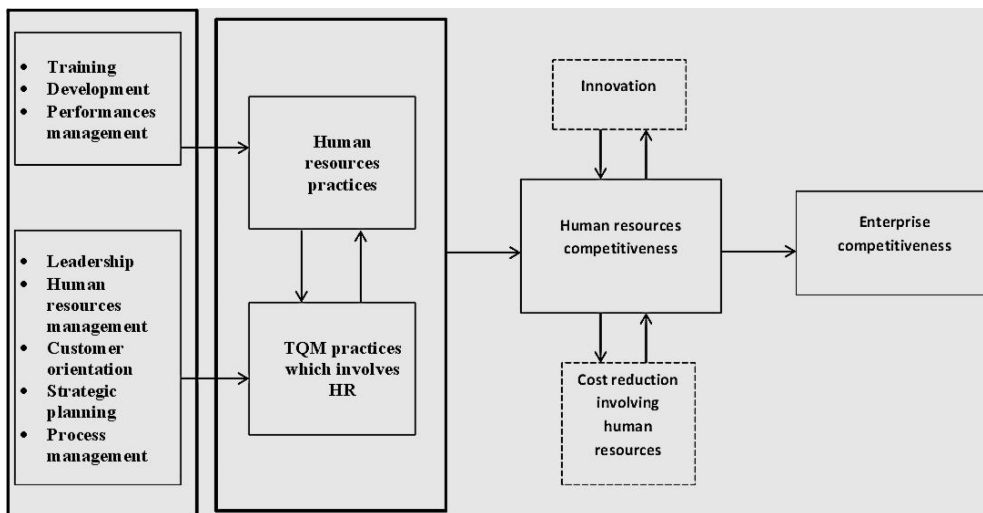


Fig. 1 Relationship human resources - total quality management – Competitiveness

2.1. METHODS

This exploratory study looked at the intersection of two understudied areas of entrepreneurship: micro enterprise and HR practices in these small business operations. This study developed a survey from the literature and conversations with entrepreneurs. A questionnaire consisting of 45 questions was mailed to a list of 9,184 micro businesses obtained through a national list compiler. The mailing list used was compiled via telephone surveys and consisted of micro enterprises in the State of Maryland with 0-4 employees. A total of 959 usable responses were gathered for a response rate of 10.44%, well within the desired response to a survey mailing (Fowler, 1998; 2002).

An offer was extended to participants as an option to receive a copy of the study if they provided their names and addresses. Alternatively, participants could opt out and return anonymous answers to the surveys if they did not wish to reveal their names. Survey questions were formulated based on extensive interviews with practicing micro enterprises. The interview data was analyzed and questions were designed based on the analyses. The survey consisted of questions which required nominal responses to hiring, benefits and other personnel issues. Responses were data entered and analyzed with Excel and SPSS. Descriptive and inferential statistics were conducted such as frequencies, means and Pearson's Correlations.

3. TQM, ISO 9000 and sustainable development

3.1. Sustainable development

The sustainable enterprise will be characterized by its ability to achieve a proper balance between the long-term production capacities (product with the generic sense here) and own resources or the ones from the environment. This company will be involved in supporting local and regional sustainable development and will have to integrate itself in the horizontal and vertical development of an economic environment (Izvercianu & Ivascu, System Information for Risk Evaluation in Sustainable Enterprise, 2012).

The European Commission launched on April 2000 the tool of "triple basis line" on the request

of measuring their value, having the following points as subordinated issues:

- (1) The environment: the impact of the campaign activities on the environment, broadly – natural resources usage, rejecting the entire nature, territory occupation.
- (2) The economic field: in collecting financial performances, the sustainable development means taking into consideration the long term perspectives of the companies, their impact on the economic growth in their field of activity and obeying the ethical principles in business.
- (3) The social field: the social consequences of the company as a whole its representatives: employees, solicitors, clients, local community (European Commission)

This vision was completed later in 2010 with the technologic responsibility, a necessity in the current economy where technology interacts with all departments (Izvercianu, Risc si sustenbilitate, 2010).

3.2 ISO 9000

ISO 9000 family of standards has been developed to help organizations, regardless of type, size and product provided to design, implement and conduct effective quality management systems. This standard can be used by internal and external parties, including certification bodies, to assess the capability of an organization to meet customer requirements, laws and regulations and those of the organization.

On 14 November 2008, ISO published ISO 9001:2008, the latest edition of international quality standards. This International Standard describes fundamentals of quality management systems, which are subject to ISO 9000 family, and defines related terms and elements. After 2004 ISO 9004 was created and it becomes a guide to "Management for the sustainable success of year organization. A quality management approach ". This intervention in the structure and the benefits of ISO 9000 was necessary because businesses require continuous improvement and systematization of results, elements that contribute to the sustainable development of the enterprise (Todorut, 2012). The international standard is applicable to the following:

- [1] organizations seeking advantage through the implementation of a quality management system;
- [2] product users;
- [3] organizations that want to provide their suppliers with the confidence that their requirements will be met for the products;
- [4] those concerned with a mutual understanding of the terminology used in quality management (e.g. suppliers, customers, regulators);

- [5] internal or external organizations that assess the quality management system or audit in accordance with the requirements of ISO 9001 (e.g. auditors, regulators, certification / registration bodies);
- [6] internal or external organizations that provide advice and training on appropriate quality management system;
- [7] developers of related standards.

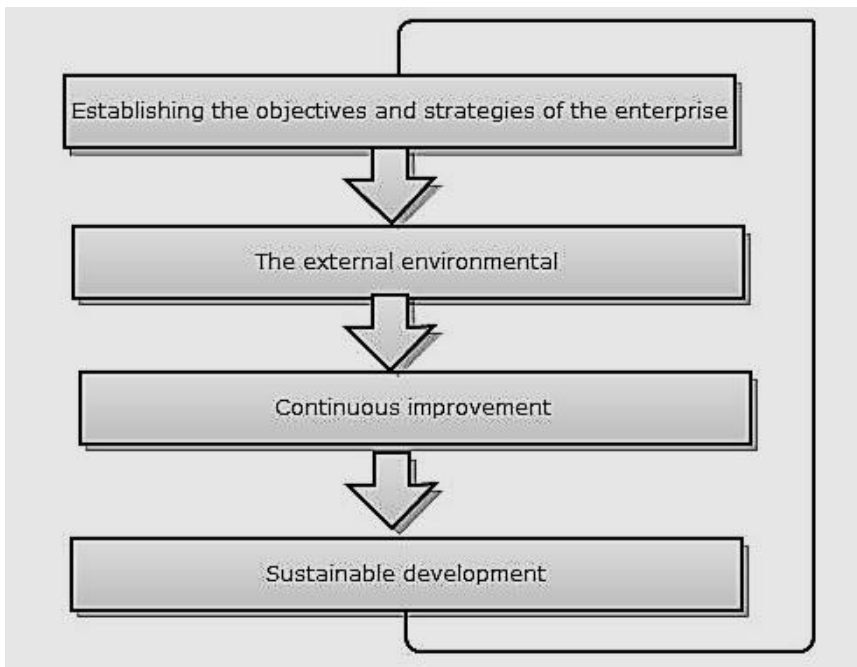


Fig. 2. The process of obtaining sustainable development

Following these presented elements, we can conclude that continuous improvement of the quality of the enterprise contributes to the sustainable development of the enterprise, a process that can be summarized as shown in figure 2. The authors present the model in which

setting the goals and the strategies depending on the economic environment helps / forces a continuous improvement of the enterprise that ultimately contributes to the sustainable development of the enterprise.

4. RESULTS and DISCUSSION

The demographic composition of the 959 usable responses is detailed in Table 1.

<i>Table 1: Demographics</i>			
N=959		Education	%
Gender	%	Not HS Diploma	1.1
Female	30	High School Diploma	17.3
Male	70	Some College	21.2
		2 year Community College	5.9
		4 yr Degree	29.8
Ethnicity	%	Graduate degree	24.0
Caucasian	91.8		
Hispanic	2.9	Marital Status	%

Native American	1.1	Married	81.0
African-American	0.7	Single, Divorced	10.2
Oriental	0.6	Single, Never Married	5.3
Other	1.5	Widowed	2.9
		Sales	%
Age	%	< \$10 K	4.8
< 28	1.4	10-25K	2.9
29-43	14.5	25-50K	6.7
44-62	62.5	50-100K	12.4
> 63	20.6	100-500K	41.8
		500-1,000K	11.3
		> 1,000K	15.3
Ownership	%	Length of time in Operation	%
Sole Proprietorship	32.4	< 1 yr	0.8
Partnership	3.6	1-3 years	8.4
Limited Liability	20.0	4-6 yrs	12.6

4.1. IMPLICATIONS AND APPLICATIONS

This research study just begins to address HR practices in very small ventures or micro enterprises. Not only has there been a real lack of research about HRM in small businesses, micro businesses are entirely overlooked in larger studies of HRM of businesses. Micro business, however, represents about half of all small business, and is often the starting point for potentially large, high growth, very successful firms. In terms of the business organization, there were more corporations (62%) than sole proprietors (32%) in the State of Maryland, which is unusual when compared to the national average of 71%. This may be due to the tax and liability provisions in Maryland. Or, at play may also be the fact that because there is an excellent service provider network in the state and forming a corporate entity is most often the advice given to business startups.

Micro enterprises offer a distinct pathway to success for so many people; from those recently laid off, to women, minorities, disabled, and others who have more difficulty in the traditional workplace. Micro enterprises tend to offer stable employment for their workers. This finding is substantiated by the 76% of respondents who planned to maintain their workforce in the next twelve months. The majority of both full time employees (69.5%) and of part time employees (56.5%) tend to work at the business location, as opposed to the owner's home. This is a strong indicator of the firm's potential growth and sustainability. Having a trained workforce, finding and keeping qualified workers and concerns about healthcare

costs were the top three challenges for micro businesses in our study. Even the smallest firms offered some benefits to employees. The top benefit offered was paid vacations. Other benefits included health care, retirement, dental and bonuses. Micro business owners with an education higher than a high school degree were more likely to provide training, an area that falls under HRM, than their counterparts who did not possess a diploma (14% vs. mid-high 20% for some college to graduate degrees). This may be due to the owners' appreciation of and their perceived value of having well trained employees. However, overall, it is good news for micro businesses as they are apt to be less competitive than large businesses so being able to offer training programs to employees will help level the playing field in recruiting and retention. Training is also a method by which organizations motivate employees. With the micro business's focus on training, one of the greatest needs expressed in Williamson's (2000) Nebraska study that found successful recruiting is consistently rated as one of the most important factors related to success as well as the Bailey et. al (2008) Nebraska study concerned attracting, recruiting, and retaining employees is addressed. The top three areas which limit micro enterprise growth were sales training, high technology (programming, IT), and professional skills (accounting, law, etc.). Sales, professional, and high tech training needs to be provided to enable these firms to prosper and grow. Interestingly, healthcare was not a key challenge for nearly 80% of the respondents. Given the passage of the Affordable Health Care Act, it appears the

remaining 20% microenterprise concerns will hopefully be addressed as well.

5. Conclusions

Throughout this paper the authors developed a series of theoretical models which can be applied to enterprises of all sizes, in any business or country. These models would enable the enterprises achieve sustainable development and maximize their competitiveness in both local and international markets. The major outcomes of this research are: comprehensive literature review, TQM implementation in terms of human resources management has a positive impact on the sustainability and competitiveness of the enterprise and the presented models offer a holistic view on the positive impact of TQM, human resources management and ISO on the sustainability and competitiveness of the enterprise.

Although, this study looked at some key HR areas in micro businesses in the State of Maryland, more research needs to be done. A qualitative study is under development that will include semi-structured interviews of micro enterprise owners. The new study will explore the early development stages of micro enterprises HRM blueprints that underpin and support organizational changes and growth.

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