Connection Between TQM and HRM in the Malaysian Private Smes

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Abstract: This study examined the extent to which Malaysian private SMEs differentiate in the way they utilize their HR. As a first step towards detecting the underlying standards of a quality-driven HR performance evaluation system, this study investigated the key issues currently existed in Malaysian SMEs in relation to HR performance evaluation systems. In this study, adapted questionnaires were utilized for data collection. The target respondents were the employees and the administrators involved in Malaysia private SMEs. The sample size for this study was 327 which were gathered through random sampling technique. This study delivers a deeper understanding on the influence of HRM components in implementing TQM practices in Malaysian Private SMEs. Therefore, both government and private SMEs can consider this as a useful companion to design appropriate policies that aim to improve organizational performance.

Key words: TQM • SMEs • HRM • Attitude • Incentives • Training • Feedback

INTRODUCTION

Globalization is enabling businesses to view quality as an essential instrument to survive competition and achieve competitiveness in global marketplace. The philosophy of total quality management (TQM) has originated from this recently discovered business necessity [1]. In essence, the authors outlined that TQM is an organization-wide perspective that attempts to ensure seamless customer satisfaction through minimizing defects in products and services [1]. As quality is one of the primary concerns nowadays, therefore, the quest for quality has become dominant trend in today’s international business landscape [2, 3]. Managers and employees are increasingly realizing the criticality to incorporate TQM within the organization. Additionally, since TQM practices are well regarded as an effective mechanism to improve overall performance, many organizations are persistently attempting to incorporate TQM principles in organization policies and strategies.

Brocka and Brocka [4] define TQM as an approach that continuously attempt to improve performance at every level of operation and in every functional area of an organization, using all available human and capital resources. Additionally, the authors indicate that implementation of TQM practices had demonstrated efficiency in achieving organization objectives in relation to cost, quality, market share, schedule and growth. However, implementing TQM practices require discipline, commitment and persistent effort [5]. In addition, it is essential to integrate all employees, suppliers and customers in the entire supply chain in order to successfully integrate quality management process [4].

In the past, managing and improving quality were the functions of specialists (quality engineers, product designers and process engineers). However, currently, the responsibilities are distributed and one of the important tasks of human resource management (HRM) department nowadays is to ensure quality across the organization [6]. HRM’s failure to communicate TQM messages can result in ineffective TQM initiative as it is the HRM’s responsibility to educate organization members through training and developments [1]. The ultimate consequence can be disastrous if the entire TQM scheme may fail. Therefore, it is argued that HRM should assume authoritative role in the implementation of TQM.

TQM has become one of the common management strategies for continuous improvements ensure customer satisfaction and loyalty and improve products and service quality and strengthen continuous improvement [7]. It is observed that the awareness among Malaysian SMEs regarding quality is an under researched area. On the other hand, Malaysian private SMEs are experiencing multidirectional competition in the global marketplace and

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without adequate knowledge on TQM approaches and the role of HR in implementation, they will not be able to compete with developed countries such as Europe and the US companies. However, there is an unclear view whether Malaysian management leadership need for further quality improvement or they have very weak level of quality management. Thus, the primary objective of this paper is to examine the prevailing quality improvement efforts of selected Malaysian SMEs and HR elements associated to these efforts. In connection to the primary objective, the study plans to analyze primary and relevant secondary data rigorously to discover the connection between TQM and HR in the private SMEs of Malaysia. Additionally, leadership, best practices, lessons learned and policy formulation in relation to the above connection will be explored. As part of its purpose, this study intends to enrich Malaysian SMEs with useful knowledge that can be applied to interpret the impact of TQM in Malaysian business landscape.

**Literature Review:** TQM is viewed as one of the most controversial concepts in the history of management theories.

It is regarded as a "comprehensive way to improve total organizational performance and quality" [8], a "social movement" [9] and a "new paradigm in management" [3, 10]. TQM advocates autonomy, self-control and creativity among employees and demands dynamic participation rather than mere compliance [11]. It is observed that TQM has profound impact on entire organizational culture [12]. In other words, this is a universal concept that involves all organization’s members [13].

TQM is a management approach that originated in the 1950s in Japan and began to popularize in the West during early 1980s [14]. Total Quality is primarily an explanation of the culture, attitude and organization of a company that intends to provide and continue to provide, its customers with products and services that satisfy their needs [15]. This particular culture demands quality in every component of organizational operations with an emphasis on elimination of waste and defects and most importantly, doing it right at first attempt [16].

It is observed that adjustments of human resource context and the role of HR practitioners can incredibly assist in quality improvement initiatives and implementation of quality management systems. Several researchers claim that TQM is closely associated with personnel management as in one hand, the latter is focused on employment management policies that are essential for effective TQM and on the other hand, the former facilitates adoption of a more strategic HRM approach [17]. It is often argued that HR professionals, as a member of strategic management team, play a key role in TQM implementation by influencing relevant strategic and operational issues [18]. Therefore, HR practitioners, nowadays, have higher positions in corporate ladder and possess greater decision making abilities as there is increasing pressure to relocate their focus from traditional organizational role to more strategic orientation and perspective [16]. The preparedness of HR department to support and commence change management initiatives required for TQM is widely researched as well as critically questioned [19].

It is found that although most organizations have HR performance evaluation systems in practice, however, the connection between performance evaluation systems and TQM initiatives is absent [20]. Earlier researches suggested that the existing employee evaluation system is incongruous with quality management doctrine. In other words, the findings of authoritative scholars [14, 21-23] robustly indicate that quality focused organizations should establish a link between TQM and performance metrics by formulating a set of TQM compatible performance criteria. In connection to the above argument, Psomas, Vouzas and Kafetzopoulos [24] express, that “the system that is used to appraise performance needs to be congruent with the culture and principles that guide the conduct of the organization. Unless congruence is retained, anything that is developed is liable to be rejected”.

In general, performance evaluation is considered as one of the most important HR functions for all kind of organizations [16, 25]. This is even more significant for TQM motivated organizations [6, 26]. Cocks [27] indicate that compare to other HR functions, performance evaluation has received most attention as numerous systematic and longitudinal surveys have been conducted on the importance of the subject. Although it is observed that for many, the performance evaluation is an uncomfortable domain; however, Al-Dhaafri, Al-Swidi and Yusoff [28] opine that fair treatment policies should be adopted as it involves sensitive issues such as termination, promotion and pay increase. Myszewski [29], in relation to examining the impact of performance evaluation in quality-focused organizations, find that inappropriate performance measurement can become a major barrier in TQM implementation process. Additionally, Anil and Satish [3] in their recent study on high performing organizations cite that a value-added performance evaluation process is one of the top ten
strategies to create and maintain competitive advantages. Similarly, Yang [30] indicates that besides typical administrative services, HR department must act as business partner to other functional areas if an organization wants to ensure optimum performance. Therefore, Becker and Glascoff [14] comment “there is no doubt that the appraisal and HR performance assessment can be difficult and error-ridden. However, it is important to both the organizational and individual perspectives that the task still be done as effectively as possible”.

Sabet et al. [31] orate, “If the state of quality in Malaysia is to be estimated strictly from the above writings and their references, it can be commented that indeed, not very much has been researched and reported”. The study of Arif, Ilyas and Hameed [32] can be considered as one of the most important papers that attempted to provide a holistic picture of current TQM landscape. The study has documented the advantages and challenges of TQM, most frequently adopted TQM practices, the state of TQM and ISO 9000 implementation and the future of Malaysian quality maneuver. Yussof [33] have similarly registered the existing quality management practices of Malaysian manufacturing industries. In additional, Idris [34] assert that in Malaysian context, the study is the first to explore the relationship between ISO 9000 and implementation of TQM. In the aforementioned study, 90% of the sample population is ISO registered companies and majority of them are medium enterprises (100-500 employees). It can be argued that the findings of Eng and Yusof [35] represent the scenarios of Malaysian manufacturing companies. Approximately two years later, Idris [34] confirm some of the findings of Yussof [33]. Idris [34] further explain that quality activities are more likely to be exercised by larger, non-resource-based companies. Non-resource-based companies belong to textile, electronic, electrical, transport equipment, machinery, chemical and plastic manufacturing sub-sectors [34]. The study also reveals that compared to the United Kingdom; Malaysian companies are much less inclined to adopt advanced form of quality practices.

**MATERIALS AND METHODS**

Sampling can be defined as the “deliberate choice of a number of people, who are to provide you with data from which you will draw conclusions about some larger group, the population, whom these people represent” [36]. Generally, higher sample size refers to high level of data reliability. Moreover, there are fewer chances of errors; therefore, one can place greater confidence on the findings as they are more representative to target population. This study adopts a convenient sampling approach. The population is defined as top management, administrative personals and general employees of private SMEs in Malaysia. The study is conducted in Peninsular Malaysia as it is in manageable proximity.

The study decides to employ questionnaire survey to obtain required data. Enumerator-administered questionnaires is considered best instrument to apply as it involves various interactions between employees in an organization. In additional, a pilot study was carried out prior to the main questionnaire distribution. The pilot study aimed to identify whether the idea of questionnaire is intelligible to the respondents. The pilot test involved total forty (40) respondents to evaluate the questionnaire. The test result revealed that the questions were comprehensible and most importantly, the measuring instruments were valid. The test provides an idea of respondent’s time requirements to respond to the questionnaire. The obtained information is analyzed in an aggregate form and the confidentiality of data is strictly maintained. It is not possible to identify any specific organization from the collected data.

The employed questionnaire of this study is adopted. The TQM scale was adapted from Sadikoglu and Zehir [37] and the HRM scale was adapted from Ahmad and Schroeder [38]. Questionnaires were physically distributed by the researcher to the respondents to collect data. The target respondents were the employees and the administrators involved in Malaysia private SMEs. The sample size for this study was 327.

The collected data has been analyzed using SPSS program. The study considers the theoretical framework and research questions to select appropriate tests. Additionally, decisions related to the sample size and test types (parametric or non-parametric) are undertaken based on the requirements of the adopted measurements. The analyses are meticulously planned and executed to eliminate redundancies or overlaps.

Sekaran and Bougie [39] asserts that Cronbach alpha is a reliability coefficient that demonstrates how well the items are correlated with each other. Similarly, Kothari [40] considers Cronbach’s coefficient alpha as a quality source of reliability testing as the instrument examines internal consistency to determine reliability. The study follows Kothari’s guidelines in terms of reliability testing and factors with Cronbach’s alpha of 0.7 are accepted as reliable. Additionally, the content and constructs validity are also addressed in this study. The content validity is ensured by thoroughly examining the existing relevant
literature base of TQM and HRM. The content validity of questionnaire items is substantiated by the HRM and TQM practitioners. In addition, Varimax rotation and factor analysis with principal component are applied to confirm the construct validity of the measurements.

RESULTS AND DISCUSSION

A brief demographic profile of the respondents is presented in Table 1. The table highlights four major findings. The first finding suggests that slightly less than two third of the respondents (67.4 per cent) are male. The second finding interestingly reveals that 78.2 per cent of the respondents are between the age group of 25 and 45 whereas the age group between 25 and 34 constitutes almost half (49.4%) of the total studied sample. The profiling suggests that only 9.9 per cent respondents are 46 years or above. This result indicates a relatively younger workforce, consistent with the discovery that 63.9 per cent of respondents are present in the industry for less than 10 years.

The third finding is related to the level of education of the respondents. The cohort indicates an equal proportion of participants with secondary (50.9 per cent) and post-secondary education (49.1 per cent). It is observed that the general recruitment requirement is secondary education. Therefore, it can be commented that either the organizations are employing higher educated employees or the employees are pursuing higher degrees to continue their employment with the organization. The fourth demographic trend is related to the management responsibilities and relative seniority of employees. The data shows that 26.5 per cent of the surveyed respondents are senior officers who have executive level management responsibilities (parallel to senior managers) in the organization and 73.5 per cent of the surveyed sample are junior officers who have first line management responsibilities (parallel to supervisory managers) in the organization.

Furthermore, the statistical assumptions of PCA are tested. A cutoff point of 0.50 is used to extract the items for the underlying factors. It is found that the use of PCA is supported by two inter-correlation measures. Bartlett’s Test of Sphericity confirms the data is statistically significant [4957.805, p = .000]. Similarly, Kaiser-Meyer-Olkin (KMO) endorses the sampling adequacy (MSA) [0.855]. This shows that the inter-correlations are adequate for PCA (refer to Table 2). Moreover, this also authenticates the validity of the measurement instruments applied in this study.

PCA with Varimax rotation is conducted on the collected data. A total of seven latent factors are obtained from the data which explain 77.485% of total variance. Only the factors with eigenvalues greater than one are considered. These seven latent factors are extracted from 39 items. The factors are re-titled as the components of HRM (behavior and attitude, team activities, interaction facilitation, incentives to meet objectives, training on job skills, training in multiple functions and feedback on performance).

As a final point, in order to investigate the relationship between HRM practices and TQM in the Malaysian Private SMEs, multiple regression analysis is conducted. Results show that the above mentioned HRM components explain 60.2% of variance ($R^2 = 0.602$) at significance level $p < .000$ (Table 3). Additionally, “F” statistic of 65.656 and significance of .000 (Table 4) confirms that the obtained HRM components (behavior and attitude, team activities, interaction facilitation, incentives to meet objectives, training on job skills, training in multiple functions and feedback on performance) substantially influences TQM practices in Malaysian Private SMEs.

The results reveal that the beta coefficient of team activities is the largest (0.509) in this study (Table 5). This suggests that team activities as a variable contributes uniquely to explain dependent variable (TQM) when the variance of other variables is controlled for. The beta value for Behavior and attitude is .122, for
Incentives to meet objectives is .474, for Interaction facilitation is .250, for Training on job skills is .198, for Training in multiple functions is .347 and for Feedback on performance is .189. The last factor logically contributes the least.

**CONCLUSION**

This study examined the extent to which Malaysian private SMEs differentiate in the way they utilize their HR. As a first step towards detecting the underlying standards of a quality-driven HR performance evaluation system, the study, furthermore, investigated the key issues currently existed in Malaysian SMEs in relation to HR performance evaluation systems. The study also investigated core practices of HR performance evaluation systems and examined their effectiveness in achieving, maintaining and improving TQM objectives.

The findings of this study will contribute to the existing knowledge base of TQM and HRM and benefit (1) the private SMEs (2) the government by providing necessary insights. This study also delivers a deeper understanding on the influence of HRM components in implementing TQM practices in Malaysian Private SMEs. Therefore, both government and private SMEs can consider this as a useful companion to design appropriate policies that aim to improve organizational performance. In addition, this may assist various private SMEs in achieving sustainable competitive advantages. Lastly, this study helps to formulate proper HRM policies to implement TQM which in turns may contribute to maximize the productivity of Malaysia’s human, natural, cultural and technical resources. The cumulative effects may extend to high quality employment as well as higher living standards.

In conclusion, this study methodically began to examine HR performance evaluation in quality driven organizations with the expectation that it will encourage other academics and practitioners to continue this line of inquiry.

**REFERENCES**


