

Management improvement in SMEs

After its phenomenal success in reviving the US economy and individual businesses during the mid-1980s, the Malcolm Baldrige National Quality Award (MBNQA) has now been adopted in many countries, from the Pacific coast of Fiji to the highlands of Mongolia. Based on the success stories of US businesses regaining competitiveness vis-à-vis Japan and Europe, the MBQNA is now widely recognized and considered by many to be one of the best management tools available. Like many wishing to emulate the same success, the Japanese government also launched a version of the MBNQA called the Japan Quality Award (JQA) in 1995.



Debate during the study mission

SMEs represent the largest portion (75% or more of registered businesses) of business enterprises in most countries. For example, in the USA, according to 2003 statistics of the US Small Business Administration and US Census Bureau, SMEs (defined as firms with fewer than 500 employees) constituted 99.7% of all registered businesses, employed 50% of the labor force, and generated approximately 40% of overall revenues. SMEs thus play an important role in the socioeconomic context, both as the largest employment generator and usually a country's sole entrepreneurial engine. With globalization, SMEs today are facing new competitive issues from external factors which they are not fully equipped to tackle. In addition, one of the greatest challenges currently faced by most SMEs is remaining original or creative.

To address management issues in the SME context, the APO organized a multi-country study mission on Management Improvement in SMEs in Japan, 10–14 July. It was attended by 19 participants from 16 member countries. The five-day mission showcased selected SMEs that were JQA recipients. This project, which was the second in the series, was originally developed as the Best Practice Program for JQA Winners by the JPC-SED. This year, although retaining its original theme, the study mission was redesigned to focus on management quality issues in SME operations, such as improving competitiveness, sustainability of growth, and good management practices. The Japan Quality Program, which administers the JQA, was developed to address those concerns as well as meeting its primary objective of enhancing organizational self-innovation capabilities to create value and encourage management innovation through its “six stages of growth” framework. The core theme focuses on self-innovation through proactive self-assessment using the JQA criteria. The JQA framework applies to all types of enterprises, regardless of size of operation and nature of business; SMEs may fare better in self-innovation than larger enterprises

since they are usually smaller, more independent, and more flexible in operations.

One aspect of the study mission was learning how the Japan Quality Management Program and the Regional Quality Councils work to complement each other while working in parallel with the JQA. No other model in this region attempts to incorporate the SME context in a quality award system, although a similar system exists in the USA. The first day and one-half of the mission entailed lectures and workshops to familiarize participants with the basic concepts and philosophies of quality management, followed by three and one-half days of observational visits to four SMEs and the Regional Quality Council of Saitama prefecture. Here, participants were shown how a regional quality council operates and promotes SME participation through its quality management program and various services, e.g., customized management training for second-generation SME owners. Of the four company visits, Calsonic Harrison and J. Art Restaurant Systems are JQA winners, while Sanshu Seika and Asociade Daiichi are regional quality award recipients. The latter two companies are located in Nagoya.

The participants stated that the key points they grasped were understanding leadership in action in the context of SMEs as opposed to textbook leadership in large corporations, management quality as opposed to quality management, improvement as opposed to innovation or breakthroughs, and creating uniqueness through niche marketing. There was an acknowledgment by participants of the need to have a more focused quality program system specifically for SMEs. They indicated that one member country had proposed operating its own national quality award while two others had expressed interest in designing an SME framework similar to the JQA in the near future and hoped to seek APO assistance in doing so. Another member country will publish a best practice booklet on key learning from this study mission which will be distributed to the participants after completion. 