

# **Causes of poor quality on SMMEs: A Case of Gauteng SMMEs, South Africa**

**Lawrance Seseni**

Department of Quality and Operations  
University of Johannesburg  
[sesenilawrance@gmail.com](mailto:sesenilawrance@gmail.com)

**Charles Mbohwa**

Department of Quality and Operations  
University of Johannesburg  
[cmbohwa@uj.ac.za](mailto:cmbohwa@uj.ac.za)

## **Abstract**

This study aims to identify both the causes and costs that are associated with poor quality on South African manufacturing SMMEs. Secondly, it seeks to find the reason(s) for not implementing quality practices in SMMEs. This study adopted both qualitative and quantitative approaches, whereby 90 SMMEs were given questionnaires to fill out. Interviews, probing questions and observations were conducted as well. This study discovered that most of the furniture manufacturing SMMEs do not have a quality department. Furthermore, it discovered that some of them do not even implement not even a single quality practice because they are not known to them and to some it is too complex to use and train. This study recommends that government should intervene and offer quality workshops and trainings to SMMEs so that they may improve their quality. As this study solely focused on manufacturing SMMEs, a replication study should be done on other industries.

**Keywords:** Total Quality Management, Six Sigma, SMMEs

## **I. INTRODUCTION**

South Africa is faced with a sky rocketing number of unemployment. According to the statistics that has been released by Stats SA on the 09<sup>th</sup> of June 2016, the unemployment in the country is 24.9%, with a very high number of youth unemployment. However, South Africa has been graced with SMMEs and they have been acknowledged for boosting the economy of country, reducing poverty, technology advancement and introducing innovative products. However, the success rate of these SMMEs is 70 to 80% percent. This means most of the SMMEs do not survive long in business. They contribute for a certain time to the economy but later shut down [2]. Most of the South Africans receive their income directly and indirectly from SMMEs. Furthermore, over 97.5% of businesses in South Africa are SMMEs [10].

For organizations to be sustainable and competitive they need to produce and deliver high quality products and services to their customers. Delivering products that are of excellent quality and that are free of defects satisfy customers. The primary motive of quality management within the organization is to satisfy the needs of their customers. Sadly, senior employees/management believe that quality is the responsibility of the junior staff. They develop good quality policies but they expect their juniors to execute and run with them. However, for quality to be executed effectively, both management and junior employees must jointly work together. The authors further states that Total Quality Management is associated with manufacturing sectors [4]. Organizations use Total Quality Management with the intention to improving the cash flow of the organization, to gain a competitive edge and to respond to the changes in the market [8]. While on the other hand, Six Sigma has also been widely used by big organizations. Its main focus is to reduce costs and to improve quality. This strategy can be used to boost both the product and service quality [3]. This paper adds new knowledge to the quality literature. It adds findings about SMMEs, and quality departments and their intentions of ensuring quality in the organization.

## **Research problem**

Most of the people in Soweto have been complaining about the products that they buy being of cheap quality which results in their products not lasting longer. This has led to some of their products being returned to the manufacturers.

### **Purpose of the study**

1. Is to review quality practices that can be used by SMMEs.
2. Reasons for not applying quality tools/techniques in South African SMMEs.

This paper is structured as follows: the first section is the literature review that looks at causes of poor quality on SMMEs, then followed by research methodology, findings and analysis, discussions, conclusions and the last section is reference.

Similar studies- Alsmadia, M. et al, 2012 conducted a study on the implementation of Six Sigma on manufacturing and service sector. The study was seeking to find out the adoptions of Six Sigma by the Saudi Arabia firms. They discovered that manufacturing enterprises do use Six Sigma and they use this quality practice with an intention of boosting performance in their organization. Kumar, M. et al, 2011 conducted research on the framework for implementing Six Sigma on SMEs. It was found that this quality practice need to be modified in order for it to work in SMMEs. Moreover, it has to be launched properly the first time to avoid challenges with reorganizing it.

## **II. LITERATURE REVIEW**

**Quality** [3] argues that quality should be included in the organization's mission and vision. Quality is an important strategy that promotes the competitive edge of the organization [5], positive word of mouth of the organization, it creates good relationships with the organizational customers and it increases the market share of the organization. All the customers of the organization expect the products and services that they buy to be of high quality (Sivaram, et al., 2014). Consequently, not meeting the customers' needs will results in customers switching organizations. Organizations that do not provide high quality services push their customers to their organization's competitors [13].

### **Quality techniques**

Total Quality Management and Six Sigma have been widely used and they have been acknowledged for effectiveness within organizations [4]. In the next two paragraphs, this study will review Total Quality Management and Six Sigma.

**Total Quality Management** aims to improve the satisfaction of the customers of the organization in the long run through modifying of products, processes and services. This quality technique requires everyone in the organization to participate in the continuous improvement of the enterprise. Furthermore, total quality management increases profits within the enterprise, it increases the market share and also helps to respond to the changes within the market [8]. Total Quality Management requires that everything should be done correctly the very first time. This quality techniques is the most preferred and it has been widely used worldwide by various businesses. The primary motive of this business strategy is to achieve business excellence and to continuously improve the standards. In addition, the key success factor of this quality initiative is the involvement of the management for they play a huge role of overseeing and offering guidance, satisfying customers and efficiency within the organization [4].

On the other hand, **Six Sigma** has been used by big companies such as Motorola, GE, Toyota, Ford, American Express and many more. This technique has been effective on these above mentioned organizations. The growth of the implementation of this quality technique has been traced. This strategy has also been implemented by SMMEs, financial services and health care [6]. This technique is also used by service sector, with the intention is to improve their performance. Customer satisfaction, reducing of defects, improving customer service and customer retention have been traced as benefits of Six Sigma [1]. As these quality systems have been pioneered by big organizations and were pioneered for big companies, it means before SMMEs can even attempt to implement them they must first refine them to suit their needs [7].

### **Costs of poor quality**

It is very important to first understand the costs that are associated with quality. Currently, organizations are trying by all means to minimize the costs that are associated with poor quality. In the manufacturing sector, the costs of poor quality are associated with reworks, returns of products by customers who are not satisfied, guarantees and warranties claims [11]. [12], discussed that it is not quality that is expensive or that has costs, but the lack of quality is the one that is expensive or rather costly. Moreover, the organization will spend another money trying to fix the mistakes that are made by them during the production of their products or services.

### **III. RESEARCH METHODS**

This study employed both the qualitative and quantitative approach. Whereby 90 SMMEs were given questionnaires to fill out and some of them were interviewed. Interviews were not structured, only probing questions were asked. Participants were allowed to voice out where they felt like voicing out. They were allowed to state their story and they were not stopped where they had something to say. This helped them to feel at ease and helped the researcher to extract the real issues that these SMMEs were encountering in their workplace. Observations were made as well, the intention was to check if the things that were said by these SMMEs corresponded with the real issues or rather the real story that was observed by the researcher. This study was conducted in Johannesburg and Tshwane (Pretoria), South Africa.

The questionnaire was divided into 7 sections. The first section (A) was about the biographical information of the SMME representative and background information of the SMME itself. Section B is about Business Improvement Initiatives. Section C is about Critical Success Factors in SMMEs. Section D is about Tool and Techniques that are used in SMMEs. Section F looks at Customer Focus and the last Section (F) is reasons for non-implementation of quality techniques. Section B to Section E was only permitted to be filled by SMMEs that implemented quality techniques in their organizations. Google forms were used to analyze this data.

### **IV. FINDINGS AND DISCUSSIONS**

Findings will be based on the responses made by the specimen on the questionnaire. In this paper, only four questions that are directly linked to the implementations of quality and the reasons for not implementing quality practices in their organizations will be analyzed and discussed. These findings are categorized in to two parts. One question is from Section A of the questionnaire and three questions are from the main questions of the research. These questions help us to arrive at the root cause of the problem.

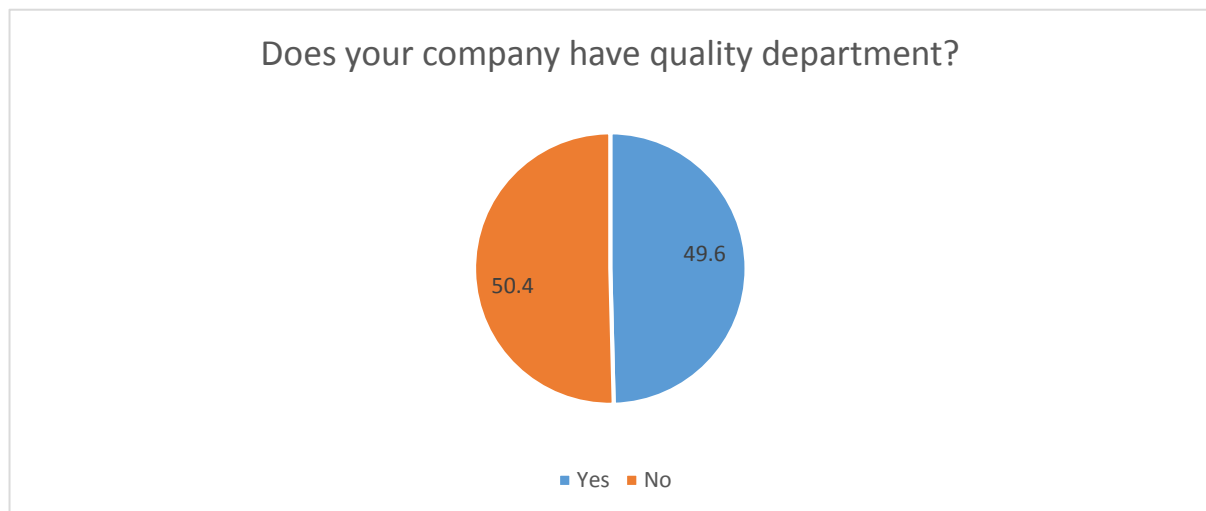


Figure 1: Quality question response

90 specimen responded to this question. 50.4% of the responded indicated that they have a quality department in their organization and the remaining 49.6% indicated that they do not have. This question was asked so that the writer can find out if the unavailability of the quality department has an impact on poor quality or not. More than half of the furniture making SMMEs that took part in the study indicated that they do not have a quality department in their organization. This is worrisome as it is a clear indication that more than half of these SMMEs do not have quality policies. This leads to the level of the quality of the products and services that these SMMEs manufacture. Moreover, it rises the questions of the level of satisfactory of their customers with their products. However, the reason for not having quality department in SMMEs can also be the lack of resources as ensuring quality is expensive and it requires organizations to employ full time quality employees.

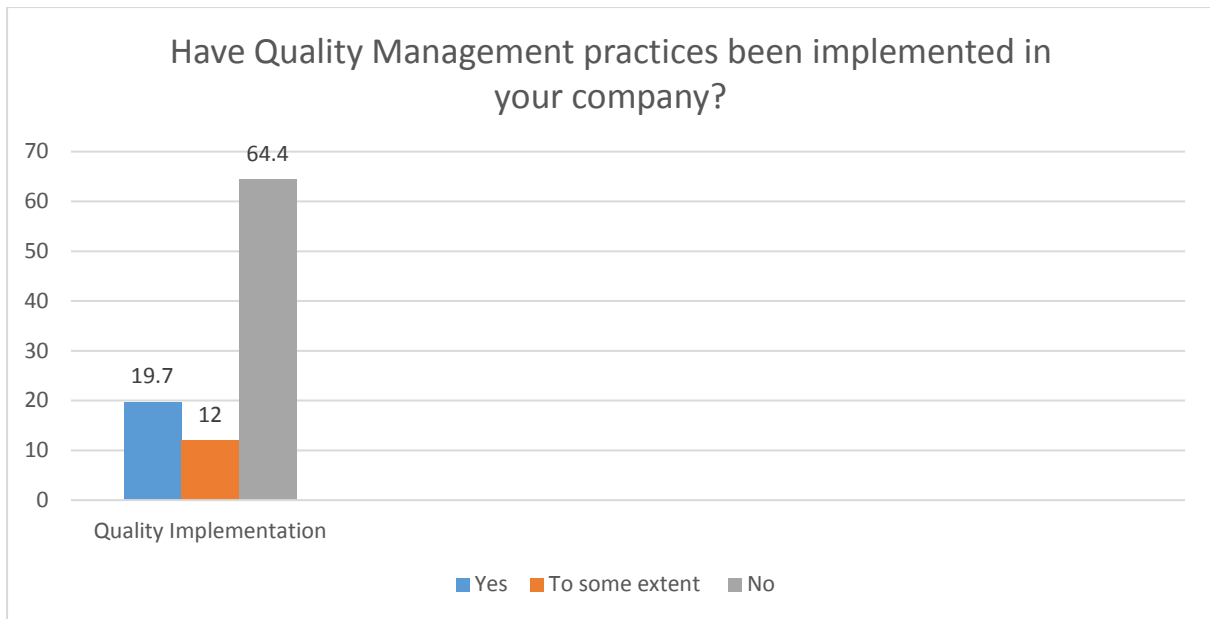


Figure 2: Quality management practices question response

64.4% of the respondents indicated that they have never implemented any quality management practices. These respondents were automatically excluded from filling out Section B, C, D and E as they were about quality techniques that are used by these organizations. 19.7% indicated that they applied it in their organization. They were then allowed to continue to Section B, C, D and E. This question was asked so that the author could identify the loop holes of poor quality. To check if non-implementation had an effect on the poor quality in the organization. These findings make it evident that quality management is not practiced in their organization. This is followed by 12% which indicated that they implemented quality practices to some extent, this does not necessarily mean that they focus on quality or rather give it undivided attention, and it simply means that they attend to it at some point. The effect of not implementing quality can be negative for the business. However, the causes of this can be that the organizations do not see the impact that quality has in their business or they are trying to run away from the costs that are associated with ensuring quality. It can also be as a result of the lack of quality knowledge and ignoring the after effects of poor quality in the organization. One organization in an interview stated that they do not care what their customers think because customers are sometimes unrealistic and do not know what they want. They further stated that customers will always come to them because they sell affordable and customized furniture.

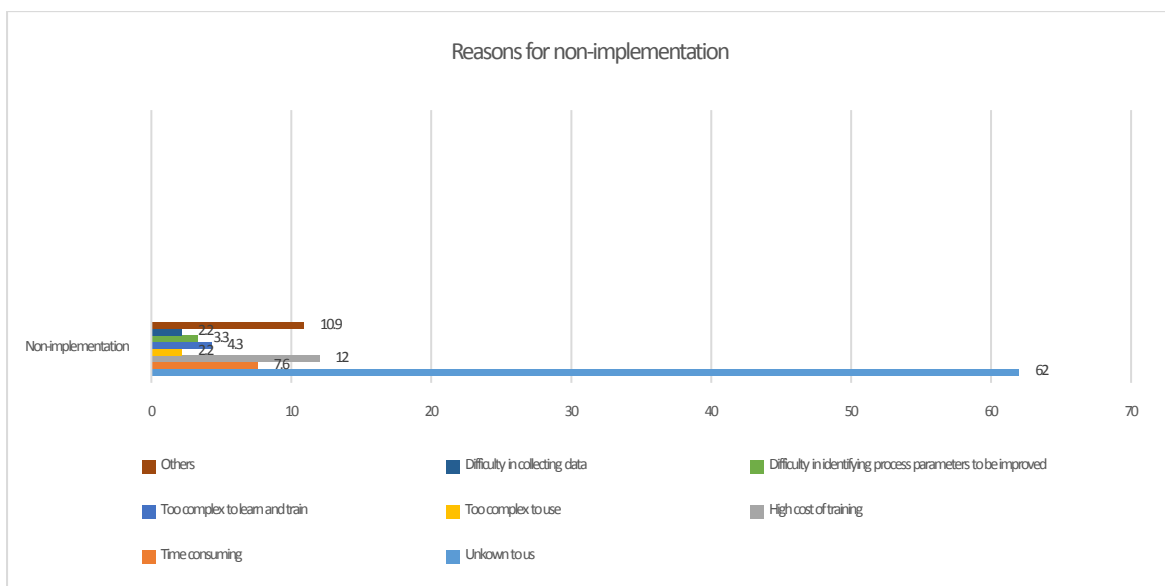


Figure 3: Reasons of non-implementation question response

62% percent responded that they did not implement any quality technique because they are not known to them. 10.9% percent responded other. The purpose of this question was to find out why SMMEs do not implement quality techniques. A high number indicated that the quality practices are not known to them. This makes it evident that they do not avoid ensuring quality on purpose but because it is because it is not known to them. However, there are those who acknowledge that they know these quality techniques but they do not implement them because they do not have funds to finance for it. This makes sense because these SMMEs do not have sufficient resources and cannot afford highly skilled man power. Other indicated that they do know these quality practices but they are too complex to use and train others. This is clear that they do not have the relevant skills of training and utilizing these quality practices. In the interview, some of the SMMEs that responded that they do not have quality department and those that indicated that they have never implemented quality in their SMMEs mentioned that they do not ensure quality because it is very expensive and time consuming. They further mentioned that they do not have time to train people.

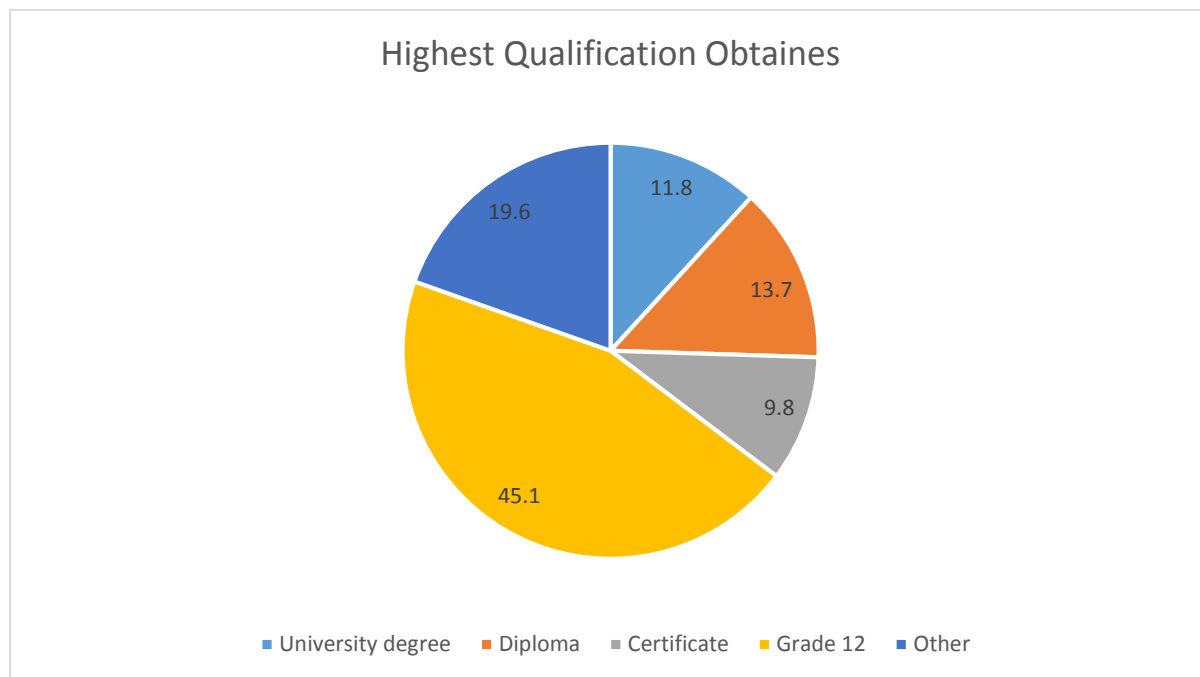


Figure 4: Highest qualification question response

45.1 percent is people with matric, people with University degree account to 11.8 percent and Diplomas are at 13.7 followed by certificates with 9.8 percent. This leaves 19.6 percent with other. This question helps us to understand why quality techniques are not implemented. It also helps the author to understand if educational background has an influence in implementing quality tools/techniques in SMMEs. Educational background plays an important role in the success of the organization. Most of the participants are older people, maybe it was difficult for them to obtain tertiary education during the apartheid government. These findings are not shocking at all.

With the data that has been gathered, it is evident that most SMMEs do not invest in quality as quality tools or techniques are unknown to them. This is not shocking as their educational background is dominated by people who just completed matric/grade 12. This makes it evident that lack of quality techniques knowledge is a major role of poor quality amongst SMMEs at Gauteng. This study further identified that the costs of poor quality are very high.

### Observations

Based on the observations, employees found to be not united. In most SMMEs, employee were doing their things and they didn't seem to enjoy working there. Even during lunch time, most of them were eating at a corner alone without being at the company of other employees. Employees were even afraid to comment when the manager or owner was around. This led to the researcher asking few managers about their relationship with their employees. Managers and employers stated that employees have no say in the organization, their role is to do what they are employed to do and stop asking questions or looking for friendship in the workplace. Looking at the quality of their products, their products seemed ok however, the working environment is not conducive. Most of the SMMEs

did not have proper safety gears but they were using dangerous machines and some were not even wearing safety face masks while they were cutting cupboards. Others had safety face masks but they were not wearing them accordingly. With regards to handling, their finished products were handled with care and taken to the delivery vehicles. However, the products were not protected. They were taken like that to delivery vehicles without covering them with plastic or paper boards.

## **V. LIMITATIONS**

This study is limited to manufacturing SMMEs that are situated in Gauteng province. This study focused mostly on manufacturing SMMEs that are based in the townships and industrial parks. Therefore, generalizing the findings will be a problem as different sectors and regions do things differently and they encounter different challenges.

## **VI. RECOMMENDATIONS AND FURTHER RESEARCH**

SMMEs themselves should ensure that they familiarize themselves with quality practices and have the know-how of implement them. This will make them to produce high quality products that do not need reworks, returns; and warranty and guarantee claims. The government of South Africa should also invest in these SMMEs by means of teaching them about quality, its importance and implementations. This will also reduce the number of business failures, as lack of quality is also a contributing factor to the business failure. Employees and employers should understand that quality management is a responsibility of everyone in the organization. They must inform their employees that it is better to do things right the first time as it is cheaper and good for business. Trainings must be made available for employees by employers, this will ensure that everyone within the organization know about the quality practices and their implementations. They must continuously improve quality in their SMMEs.

Further research will be done on knowledge management of quality within manufacturing SMMEs. The second study will be done on the implementation of the earlier mentioned quality techniques on manufacturing SMMEs. Lastly, a replication study will be conducted, the intention is to check if other industries encounter similar challenges. This will help the author to generalize the findings of this study.

## **VII. CONCLUSION AND IMPLICATIONS**

Ensuring quality is very important for every organization. Quality can attract, recruit and maintain customers; and this leads to a positive word of mouth, repeated sales and positive cash flow. However, failure to ensuring quality will result into customers switching to competitors of the organization. In this study, it was discovered that total quality management and six sigma can be used by these SMMEs as they are closely related to manufacturing. However, these practices needs to be modified as findings indicate that 12% of the participants state that they are too complex to use. It is important that organizations heavily invest in quality management. Manufacturing SMMEs play a very important role in the growth of the economy and job creation in South Africa. However, majority of these manufacturing SMMEs are not making an effort in ensuring quality in their organizations. However, they are creating employment in the country and they are immensely contributing to the GDP South Africa. Should these furniture making SMMEs ensure quality they will get more customers and they can reduce product defects.

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## **Biography**

Mr. Lawrance Seseni is a University of Johannesburg student. Currently doing a Master's degree in Operations Management. His master's study is on Quality Management within SMMEs. In 2014 he was appointed as an academic tutor for Entrepreneurship National Diploma student who were doing second year of study. In 2016 he was appointed as an assistant lecturer for first semester (5 months), his role was to lecture Entrepreneurship to first year National Diploma students in Small Business Management. He is now serving as a board of director with a portfolio of co-secretary of the IBASA YC (Institution of Business Advisers South Africa Youth Charter). He is also serving as a Strategic Adviser for Projects in the student organization called ENACTU University of Johannesburg. He served at Enactus University of Johannesburg since 2012 holding different portfolios. His research interests are in Knowledge sharing in SMMEs, service and product quality within SMMEs.