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Quality Management System and the Role of Accounting in Portuguese SME

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Abstract

Purpose: Despite the associations of the quality movement with the certification of quality management systems (QMS), these by themselves are not sufficient to ensure the competitiveness of organizations, namely if the implementation and the certification is due to external motivations. Considering the growing scarcity of resources and increased competition, now on a global scale, organizations, and particularly small and medium enterprises (SMEs), need to be more efficient, measuring and improving their performance. Thus, the existence of a QMS directed to the continuous improvement of procedures and processes and customer satisfaction, and the existence of an accounting system that, in addition to ensuring compliance with legal requirements, have the ability to produce timely and relevant information to support the decision process, can make the difference between discontinuation and progress of SMEs. In this context, this study aims to study the positioning of Portuguese SMEs with relation to the QMS and to investigate their use of accounting as an information system for management.

Methodology/Approach: Data were collected through a questionnaire sent to a thousand companies.

Findings: The results show that although the respondents recognize the importance of quality management and the role of accounting in the management of their companies, in practice they make a poor use of basic tools and techniques of quality. With relation to the use of the accounting system, the overwhelming majority of managers of SMEs still puts first the fulfillment of tax obligations and other legal requirements.

Research limitations: The main limitations is related with the use of the survey method, mainly in terms of generalizability of results, despite our concerns about the purpose and design of the survey, the population definition and sampling, the survey questions, the accuracy of the data entry and the disclosure and reporting.

Originality/Value of paper: The study stresses the importance of quality management and the

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role of accounting in the decision process and that Portuguese SME's should further explore their potential through the use of more advanced techniques which are likely to create value to the information system and to support a strategy of quality management.

Keywords: SME's; Quality management; Accounting.

Introduction

Small businesses are prevalent in Portugal and Europe. Due to its characteristics, SME's have many specific needs and weaknesses, such as lack of knowledge of general management and accounting, in particular, short-termism and poor growth capacity (Cher, 1991).

As a philosophy and management model that offers organizations a set of techniques, tools and methodologies, quality can help small and medium enterprises (SMEs) Portuguese to overcome many difficulties, according to its reality (Moura, 1997; Lopes and Capricho, 2007). As Saraiva and Rolo (2009: 95) stated, "Total Quality Management has been widely accepted as a management model that enhances the competitive advantage of companies that implement it successfully." On the other hand, a good accounting system that be able to provide information for decision-making can also be crucial to the success of SMEs and hence for economic development. As Borges et al. (2002) pointed out, an organization with a well-designed information system has a competitive advantage over other organizations.

This research work is part of a larger study, with the aim of studying the positioning of SMEs for the quality management system (QMS) and to investigate the use of accounting as a management information system. Rhe study is focused on SME's due to the recognized importance of SME's to the economy and employment, the high number of this kind of enterprises in the Portuguese business structure (INE, 2008), the limitations of smaller companies (Oliveira and Salles, 2002; Sarrasqueiro and Nunes, 2004; Peña, 2005; Labatut, Pozuelo and Veres 2009; Petry and Nascimento, 2009; Ilias, Razak and Yaso, 2010), and the existence of a few scientific studies on small businesses (Nunes and Serrasqueiro, 2004; Labatut et al., 2009).

The paper is structured as follows. Next section presents the literature review on quality management systems and on accounting systems. Section 3 presents the methodological approach. The results are presented and discussed in Section 4. Finally, Section 5 presents the main conclusions of the study, its limitations and some perspectives for future research.

Literature review

According to the Portuguese Law SME's are all the companies that have less than 250 employees and conduct one annual turnover not exceeding €50 million or an annual balance sheet total not exceeding €43 million. In the European Union countries, SMEs are assumed as a pillar of their economies. In Portugal, according to the IAPMEI (2008), SMEs founded in the form of society represented 99.6% of companies in 2005, creating, performing 75.2% of private employment and more than half of turnover (56.4%), a trend that has been confirmed by official statistics (INE, 2007, 2008, 2009, 2010, 2011; Eurostat, 2011).

Quality management system

According to Saraiva et al. (2010), the model of development based on low cost has waned, it is no longer competitive. Quality and competitiveness are, and will be increasingly, inseparable