



## A STUDY ON IMPACT OF TOTAL QUALITY MANAGEMENT (TQM) ON ORGANIZATIONAL PERFORMANCE

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### **ABSTRACT:**

*Total Quality Management (TQM) is considered as the foundation of improving productivity, profitability and customer satisfaction in organizations. This study aimed to examine the impact of TQM implementation on organizational performance. TQM is defined as a strategy that essentially aimed to establish and deliver high quality products and services that cover all customers' demands and achieve a high level of customer satisfaction. This paper discusses the implementation of total quality management in organizational performance. The objective of this study was to analyze the relationship between TQM practices, process innovation and employee performance. This article presents the findings of a study which examined the relationship between people-related elements of total quality management (TQM) practices and employees' job satisfaction.*

**Keywords:** total quality management, Organization, SEM

### **INTRODUCTION:**

Total quality management (TQM) has been regarded as one of the most predominant sources of competitive advantage in the last two decades. Numerous studies have shown a positive relationship between TQM and organizational performance. Most studies have been directed towards examining the effect of TQM on operational performance and business performance. Nevertheless, there are there is still need for rigorous studies in understanding the relationship between TQM and a broader set of organizational outcomes. This study attempts to contribute to this area by examining the relationship between TQM practices and employees' job satisfaction. Job satisfaction has been considered as one of the key determinants of firms' success and growth. Also, given the potentially long-time horizon necessary to study the effects of TQM, researchers and practitioners alike may well be advised to turn their attention to more immediate or proximal effects of TQM, such as job satisfaction. Employee involvement or participation in quality improvement is central in the implementation of TQM. This involves developing both top down and bottom up communication channels, providing mechanisms for employees to voice their concerns or suggestion on quality issues, until participation in decision making processes. Further, increased participation in decision making by lower-level members of the organization has been found to have a positive effect on the level of job satisfaction which then affects both organizational commitment and job performance.

### **LITERATURE REVIEW:**

**Esin Sadikoglu et al (2014)** This study investigated impacts of TQM practices on various performance measures as well as the reasons and the barriers of the TQM practices of firms in Turkey. Results revealed that primary obstacles that the firms in Turkey face were lack of employee involvement, awareness and commitment of the employees, inappropriate firm structure, and lack of the resources. It is recommended that firms should continue implement TQM with all variables to improve performance.

**Miroslav Knežević et al (2012)** Total quality management (TQM) has become a modern system of constant improvement of the quality of all company activities. The purpose of this study is to measure the expectations and satisfaction of the guests concerning the attribute quality of the hotel product. Furthermore obtained results were compared in such a way as to analyze particularly the reviews of hotels which have implemented TQM and have the ISO 9001 certificates with reviews from hotels which have not implemented TQM and do not have the ISO 9001 certificates.

**Karmen Kern Pipan et al (2011)** study the differences in TQM items of the companies taking part in Slovenian national quality award - Slovenian business excellence prize (SBEP) and other large companies in Slovenia. This paper reports on the research findings of a study conducted in 110 large Slovenian companies regarding their approach to systematic quality improvement process. The differences in the use of quality management approaches and tools were studied in three groups of companies: a group of "top companies" (according to their financial results), a randomly chosen group of companies and SBEP applicants. Multivariate analysis was used to analyze the items of the sample and to compare the differences among the groups. The results of this research are specific for large companies from Slovenia and analysis is cross sectional. Further research could be done in small and medium enterprises (SMEs) and public sector.

**Assadej Vanichchinchai et al (2011)** investigate the relationships among total quality management practices (TQMP), supply chain management practices (SCMP) and firm's supply performance (FSP) in the automotive industry in Thailand. The measurement instruments for SCMP, TQMP and FSP were developed based on an extensive literature review and verified by experts, pilot test and various statistical techniques to ensure reliability and validity in structural equation modeling constructs. The hypothesized model was tested through a path analysis. Qualitative case studies of two large first-tier automotive suppliers were conducted to obtain more in-depth information. We found that the set of SCMP, TQMP and FSP measures are reliable and valid for Thailand's automotive industry. TQMP not only has a significant direct positive impact on SCMP and on FSP but also a significant indirect positive impact on FSP through SCMP.

**Yaser Mansour Almansour (2012)** Total Quality Management (TQM) is increasingly lambasted by management gurus and the business media for a lackluster impact on the bottom line. The question of whether the adoption of TQM improves financial performance has been discussed for several years. However, most research has examined large organizations, and it has been recognized that TQM studies on small and medium enterprises (SMEs) is limited. This paper presents a study of the impact of TQM components on small and medium enterprises' financial performance in Jordan while also providing a review of global TQM research.

#### **OBJECTIVES:**

1. To explore the TQM practices and technologies
2. To identify the impact of TQM implementation on the organizational performance
3. To generate a guidelines for effective implementation of TQM practices at organizations

**Concept of total quality management:** The concept of total quality management refers to the process through which the activities of quality adopted as the part of the organization's strategic goals, and applying these activities, and commitment to continuously improvements, and satisfying



the customer needs by doing things in truly way from the first time. Many scholars suggested that the total quality management (TQM) is a management philosophy based on the involvement of all levels and functions of the organization in the process of continuous improvements for the quality of products and services. In addition, it is a comprehensive view of quality assurance in the organization defined Total quality management as both an integrative philosophy of management for the continuous improvement of services and service delivery to achieve customer satisfaction. The effectiveness of TQM as a system for organizational improvement has been widely reviewed in the literature. TQM is an important management tool, which can offer business with stability, growth, and prosperity.

**SMES:** Small to Medium Size Enterprises (SME's), in the European Commission (2005) User Guide entitled the New SME Definition, is quoted as saying "(SME's) are the engine of the European economy" and are further cited as „the largest group of businesses in Europe (USHER, 2004). Current statistics do vary, but a general view is that more than 90% of companies fall into the 'SME' category, with nearly 60% being small businesses having less than 10 employees (Micro). According to the European Commission (2005) in the enlarged European Union some 23 million SME's provide around 75 million jobs and represent 99% of all enterprises. More country specific, in the UK at present there are over 3.7 million (SME's), this figure includes small firms which employ fewer than 10 people, and makes up over 90 per cent of all firms in the UK, contributing around 40 per cent to the UK's Gross National Product (DTI. 2005). Thus despite being smaller in size it is SME's who tend to create the innovation which drives our economy.

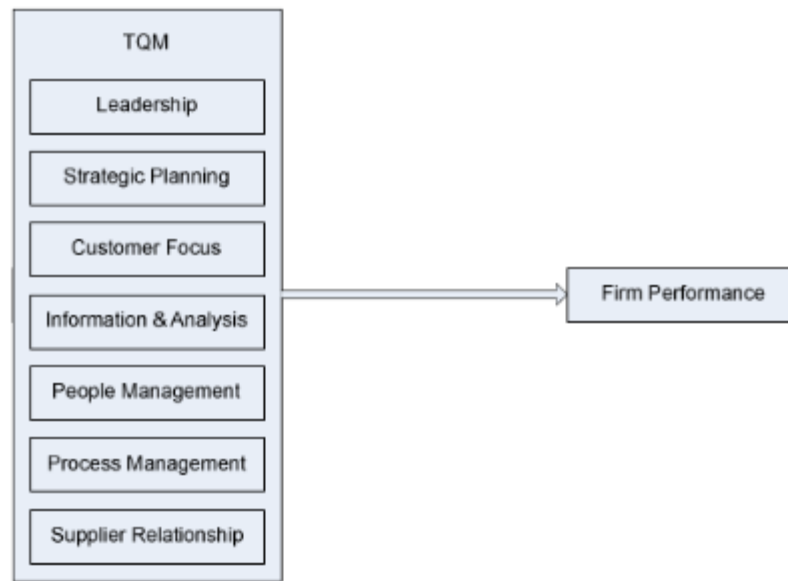
#### **Total Quality management and organizational performance:**

Measurement of performance is considered as an essential element at all managerial approaches. Cost and quality are the two main measurements of organizational performance which directly affected by the total quality management practices. Applying various TQM practices such as training, process management, customer management, etc. influence employees performance which then directly affect the whole organization performance. TQM greatly influence the organizational performance especially in their financial performance.

According to the increasing demands to achieve a high quality products and services, organizations have realized the importance of applying total quality management practices to the production processes in order to minimize costs and to create products with high quality characteristics. TQM is recognized as a strategy that considered customers as the main concern, in which it directly aims to provide them with a high quality services and products through adding continuous improvements in the production processes

#### **Elements of Total Quality Management:**

There is no particular agreement on the elements that constitute TQM and still the elements are varying among different researchers across the globe (Corredor & Goni, 2011). What's more, use of different terminology in the context of TQM elements is raising the difficulty of comparing sets of elements since the terms elements, principles, components, factors and criteria seem to be employed interchangeably.



**Figure 1: Theoretical framework for relationship between TQM and firm performance**

**Leadership:** Many studies support that leadership is one of the most important factors that impact a firm's performance. Leadership and top management support is expected to have an integral role in encouraging the practices and behaviors that lead to quality goals establishment, resources allocation, quality performance evaluation and quality improvement. Furthermore, the leader of a firm is responsible for creating the appropriate environment/culture for innovation besides cultivating the innovation process, quality, finance management and aligning the current strategy with the innovation strategy in order to achieve innovative and competitive performance.

**Process management:** Desired outcome achieved more effectively and efficiently when resources and activities are managed as a process-related. This is achieved by: identifying the activities needed to achieve the desired result, and measure the inputs and outputs of the process, and to identify the communication channels of main activities of the business, and the risk assessment results and the potential impacts of operations on customers, suppliers and other stakeholders, define clearly the responsibilities and authorities of the of the management of main activities. The focus should be on how best design, manage and improve processes in order to fully satisfy, and generate increasing value for, customers and other stakeholders.

**Strategic Planning:** Strategic planning refers to the development and subsequent deployment of plans to forge a stronger tie with customers, suppliers and business partners. It includes formulation of vision/mission statements, quality policy, use of quality control and other management tool etc. Appropriate systems of strategic quality planning would improve the product quality and therefore customer satisfaction.

**Continuous improvement:** A major component of TQM is continual improvement. Continual improvement leads to improved and higher quality processes. The term continues refers to both incremental and breakthrough improvement. Continual improvement ensures companies find new ways and techniques in producing better quality products, production, be more competitive, as well



as exceed customer expectations. Continues improvement is designed to ensure efficient and effective utilization of the resources of the organization and to achieve a quality driven culture.

**Customer focus:** Organizations rely on their customers, so they must understand the current and future needs, and achieve their needs, and work to exceed their expectations. This is achieved through research and understand all the needs and expectations of the customer in terms of products, services and delivery date, price and reliability, and to link the goals established with the needs and expectations of the client, and follow the way of ensuring a balance between the needs and expectations of customers and other stakeholders (owners, employees, suppliers and the community), and inform all levels in the facility this needs and expectations, and measure customer satisfaction and act according to the results, customer relationship management to achieve the common interest.

**Fact-Based management:** Organizations of all sizes and types will often succeed or fail on the quality of their decision-making; we need to adopt a fact-based decision-making approach. Fact-based decision making involves putting considerable initial emphasis on the gathering of facts, figures, data and evidence. Effective decisions are based on data and information analysis. This is achieved by taking measurements and collecting data and information related to the purpose, and to ensure the accuracy and validity of the data, information, and easy access to, and analysis of data and information methods, and realize the importance of using appropriate statistical techniques, and decision making builds on the results of logical analysis.

**Management Policies and Strategies (MPS):** Business need to implement effective strategies to succeed. The important thing for a business owner to keep clear is that strategic management is a mind-set philosophy for doing business, but business policies are the specific method for running the organization on a day-to-day business. The organizations will be better equipped to meet their goals and objectives if the owner and managers adopt a clear TQM philosophy. In order to compete and survive in the global market, the company must have strong strategic planning management. The organization who implements TQM philosophy must have a clear vision, mission, policies, strategy for improving quality and quality target for the short and long term business plan.

#### **Implementation and practices of TQM:**

Several methods were utilized to implement total quality management at organizations. The main five categories of implementing total quality Management strategies are as follow;

**No control/no customer focus:** Such organizations do not concentrate on achieving customer satisfaction as much their focus on their products and services characteristics especially their quality characteristics. In some countries, there is no charge for poor performance of organizations, in which in some cases, this will lead to customers' misery.

**Quality Control:** At this level, organizations often own several laboratories and measurement departments in order to continuously enhance the quality of their products and services through testing them and developing their managerial systems .the statistical process control is the most often utilized approach to conduct such measurements at companies. Quality control methods were largely utilized in manufacturing companies in order to implement TQM practices and strategies.



**Quality Assurance:** Companies that are governed by this method is directly believe that products is an output for several processes and quality of these products cannot be achieved without controlling ach process separately. Quality assurance is largely conducted in several companies through implementing some programs that focused on quality (such as ISO 9000, ISO 9000-2000, etc.), in addition of some managerial tools that are utilized to assure quality.

**Continues Quality improvements:** The companies that are located under this level believed that the improvement of quality of businesses is directly connected to the employee's efficiency, commitment and the existence of team work spirit within the staff members. Several campaigns were planned in these companies in order to enhance quality management capabilities of functional team members by conducting some practices such as providing them with weekly or monthly assignments. Several techniques were utilized in manufacturing companies in Australia in order to achieve continuous improvements of quality such as quality circles, mentality of zero defects and just in time techniques .

### CONCLUSION:

Most of the previous TQM models focused on the impact of TQM towards business performance only. Based on the previous study, there is still lack of study discussing the relationship of TQM practices and employee performance. Most of the studies related the TQM practices with the organizational performance. Total Quality Management (TQM) is an approach that seeks to improve quality and performance which will meet or exceed customer expectations. This can be achieved by integrating all quality-related functions and processes throughout the company. TQM utilizes techniques that improve as well as get better product quality and processes and thereby help a firm improve competitive performance. Different areas of the company become reliant upon one another to produce a quality product that meets and exceeds the customers' expectations. Interested parties can develop model of TQM's impact on publicly traded firms. Rather than focusing on small and medium enterprises. Therefore TQM practices will help to enhance the employee performance.

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