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# **Impact of Total Quality management Practices (TQMP) on Organization Performance (OP) in Private Sector Organizations in Kandy District of Sri Lanka**

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## **ABSTRACT**

*The purpose of this study was to investigate the impact of TQMP on OP in private sector organizations. The total quality management practices, top management commitment, Continuous improvement, customer focus, and employee involvement were considered as independent variables. The dependent variable was organizational performance. The study is based on a survey conducted on a sample of 25 private sector organizations in Kandy District. The primary data for the study were collected using self-administered questionnaires. The statistical techniques such as mean, standard deviation, and correlation analysis were used in data analysis. Empirical findings reveal that TQMP are positively and significantly correlated with the OP. Thus top management commitment, continuous improvement, customer focus and employee involvement are positively and significantly correlated with Organizational Performance. These findings stress the necessity of TQM practices in the organization to ensure the better performance.*

**KEYWORDS:** *Continuous Improvement, Customer Focus, Employee Involvement, Organizational Performance, Top Management Commitments, Total Quality Management Practices*

## **1. Introduction**

The concept of the Total Quality Management (TQM) is defined as both a philosophy as well as a set of guiding principles that represent the foundation of a continuously improving organization. (Bestfield et al, 1999). TQM always focuses on the work process and people, with the major concern for satisfying customers, employees and improving the organizational performance. (Oluwatoyin & Oluseun, 2008) Since the 1980s, when the TQM concept was firstly defined by Deming, (1986), Crosby, (1979), Juran, 1986, practitioners and researchers have broadly defended the positive effects of TQMP on firms' overall effectiveness and performance. TQM is generally understood as an integrated organization strategy for improving the quality of the entire organizationed process (Waldman, 1990). It has become an accepted technique to ensure survival in today's industrial economy.

The goal of the TQM is to improve performance. In the globalization era quality is the most important element as competitive source in every company or industry. TQM is applicable to any organization irrespective of size, and motives. During the last three decades TQM has been receiving far flung acceptance by various sectors of the economy such as manufacturing, service, and government, health care, financial and education. As TQM has become a global phenomenon it has influenced most Asian countries. It has been described as suitable method to improve the competitiveness of companies in developing countries like Sri Lanka. Total Quality Management is also a better way to run a business and compete in domestic as well world markets.

Many research studies identify relationships among quality management practices and examine the effects of these practices on organizational performance. These findings suggest that a positive relationship exists between the total quality management practices or total quality management and organizational performance and between other variables such as product quality, product and process performance, perceived quality, quality drivers, reduced cost, more satisfied customer, employees and improve financial performance.

This research examines the relationship between level of TQMP and OP of private sector organizations with special reference to Kandy District. The theory of the TQM has recognized six basic concepts such as committed and involvement management to provide long term top to bottom organizational support, an unwavering forces of the customer, effective involvement, continuous improvement, treating supplier as partners and performance measurements but, this study the researcher only considered only four TQM concepts namely top management commitment, employee involvement, continuous improvement and customer focus as the TQM practices throughout the research.

TQM is an approach that is practiced by many organizations to improve overall performance of the entire organization. The study of "Impact of TQM on performance and stakeholder satisfaction" conducted by Oluwatoyin & Oluseun (2008) has been identified operational performance, customer satisfaction and employee satisfaction as the overall organizational performances. In this empirical study researcher identified operational performance, customer satisfaction and employee satisfaction as overall performances. Even though many studies have considered the financial performance, this study consider only the non financial performances.

This study continues to has selected private sector organizations because of the quality is the crucially important for Sri Lankan private sector organizations to face the greater competition and face the international market. In the Sri Lankan context private sector organizations contribute considerable rate to the Gross Domestic Production. It is one of the vital components of the economy so that it is very important to examine the relationship between TQMP and organizational performance of the private Sector organizations in Sri Lanka.

## **2. Problem Statement**

Quality is a crucial factor for any organization as there is increasing recognition as of the importance TQM implementation. Many Organizations are still struggling to attain a real understanding of what is TQM. Within this context only few researches have Total Quality Management practices on organizational performance.

Despite lack of information about the current status of Total Quality Management, it is widely believed

that, many organizations in Sri Lanka have begun focusing on its implementation and producing quality products to support their competitive position to fulfil the needs of the customers. Any organization requires a strong quality focus; this cannot be achieved without studying its impacts of organizational performance. Many Private sector organizations have attempted to incorporate Total Quality Management activities into their companies with an intention of reducing the per-unit cost of their products/services thereby increasing profitability. Broadly, the Total Quality Management is significantly related with the competitive business environment. As such that type of organization believes that total quality management is a key contributing factor to a firm's survival. Therefore the organizations should know how much they are practicing total quality management practices whether it favourable or not in Private Sector Organizations in Sri Lanka. Therefore it is very important to studying the impact of Total Quality Management on organizational performance in the Sri Lankan context. The need for Total Quality Management is being driven in Sri Lanka by the competition between local and international competition. Therefore in this research attempts need to identify impacts of Total Quality Management on organizational performance

### **3. Objectives of the research**

Primary objective of this research is to examine the impact of the TQMP on OP in private Sector organization. Secondary objectives are; to investigating the impact of the top management commitment the impact of the continuous improvement on organizational performance the impact of the customer focus impact of the employee involvement on organizational performance in private sector organizations in Sri Lanka.

### **4. Literature review**

#### **4.1 Total quality management**

Total Quality Management can be viewed as the enhancement to the traditional way of doing business. It is a proven technique to guarantee the survival in the business world. Only by changing the actions of management will the culture and actions of the entire organization will be transformed. The term "Total" indicates "Made up of the whole". Quality means degree of excellence of the products or services. Management refers the act, art or manner of handling, controlling and directing the scarce resources. Therefore, TQM is the art of managing the whole organization to achieve excellence. Different definitions of the TQM have been developed over the years. Besterfeld (2004) stated that "Total Quality Management as both a philosophy and a set of guiding principles that represent the foundation of a continuously improving organization". Oakland (1993) stated that TQM is an approach for improving the competitiveness and flexibility of a whole organization. Dale (1999) defines TQM as "a management approach of an organization centered on quality, based on the participations of all its members and aiming at long term success through customer satisfaction and benefits to all members of the organization and society. Hellsten (2000) defines TQM as a system in continuous change and consisting of values, methodologies and tools, the aim of which is to increase external and internal customer satisfaction while reducing the amount of resources used. According to Mohammed (2006), Total Quality Management is an effective system for integrating the quality development, quality maintenance and quality improvement efforts of various aspects of a system so as to enable services at most economical level and derive full satisfaction.

According to Dale (1994) in the stage of world class are characterized by the total quality improvement to the delight of customers. The organizations that have attained the world class situation are always searching opportunities to improve their services to satisfy customers. It involves to enhancing the competitiveness by influencing the perceptions of the customers through the continuous innovation. The task of satisfying customers is a goal for everyone in the organization.

#### **4.2 Organizational performance**

Organizational performance can be measured using variety of traditional measurements. Some of them are financial performance, operational performance, customer satisfaction, employee satisfaction.

##### **4.2.1 Operational performance**

Firm's operational performance is measured against standard or prescribed indicators of effectiveness, efficiency and environmental responsibility such as, cycle time, productivity, and waste reduction. In a business context, operational efficiency can be defined as the ratio between the input to run a business

operation and the output gained from the business. When improving operational efficiency, the output to input ratio improves

The implementation of TQM ensures that every worker in the organization does his work with quality the first time, thus improving the effectiveness of operation and avoiding some cost associated with waste. This in turn will offer more value to customers with improved product in terms of price and service quality, thus making them satisfied. (Oluwatoyin&Oluseun, 2008). Organizational performance is customer satisfaction, employee morale, productivity, Defects; cost of quality and delivery on time (Samson and Terziovski , 2009)

#### **4.2.2 Employee satisfaction**

Job satisfaction refers to an affective reaction of individuals to specific aspects of their job or positive emotional status. It refers to employees' contribution and recognition towards achievement of organizational goals (Guimareas, 1996; Weiss, 1967) Job satisfaction is a frequently studied subject in work and organizational literature. This is mainly due to the fact that many experts believe that job satisfaction trends can affect labor, market behavior and influence work productivity, work effort, employee absenteeism and staff turnover. Moreover, job satisfaction is considered a strong predictor of overall individual well-being, as well as a good predictor of intentions or decisions of employees to leave a job (European Foundation for the improvement of living and working conditions, 2007).

#### **4.2.3 Customer satisfaction**

Customer Satisfaction is the degree to which the customer experience of product or service matches her expectations. (James Teboul, 2004). A high level of customer satisfaction is obtained by providing services or products whose features will satisfy customer's requirements or needs. (Muffatto and Panizzolo, 1995) Customer satisfaction is a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or exceed customer expectation.

According to Kotler et al. (1996), satisfaction is the level of a person's felt state resulting from comparing a product's perceived performance in relation to the person's expectations. Customer satisfaction is defined by Oliver (1997) as the consumer's fulfillment response. It is a judgment/assessment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption related fulfillment. In other words, it is the overall level of contentment with a service/product experience.

### **4.3 Practices of total quality management**

According to the TQM Management Framework presented by Besterfield It represents the 7 Total Quality Management practices; People Relationship, Top Management Commitment, Customer focus, Employee Involvement, Supplier Partnership, Continuous improvement and Performance Measurement. Base on the Total Quality Management framework researcher have identified four practices; Top Management Commitment, Continuous Improvement, Customer focus and Employee Involvement in this study (Besterfield, 2009)

#### **4.3.1 Top management commitment and leadership**

Oakland (1993) stated that, 'To be successful in promoting business efficiency and effectiveness, TQM must start at the top with the chief executive. Anderson et al. (1994a) explained the concept of leadership as: the ability of top management to establish, practice, and lead a long-term vision for the firm, driven by changing customer requirements, as opposed to an internal management control role. Leadership is thus exemplified by clarity of vision, long-term orientation, coaching management style, participative change, and employee empowerment, planning and implementing organizational change.

In order to achieve total quality it is imperative that the top managers clearly define the quality goals and as well treat quality as an important aspect. They are expected to set quality as a priority while allocating adequate resources to continuous quality improvement and evaluating employees based on their performances (Minjoon, 2006)

Pearson (1995) explained that managerial leaderships require management at all levels to shift their role from authoritarian decision maker to coaching facilitator. According to Juran and Gryna (1993), certain roles of top management can be identified as: establish quality policies, establish and deploy quality goals, provide resources, provide problem-oriented training, and stimulate improvement. Cooper and Ellram (1993), identified leadership as being critical in effecting organizational change most especially in the areas of building trust relationship with employees and others involved in the

process of value delivery.

### **4.3.2 Employee involvement**

Employee involvement is a process for empowering members of organization to make decision and solving problems. The employees in an organization should acquire new knowledge and skills by participating in Total Quality Management. There are different definitions and views are stated by different peoples for achieving effective employee involvement. Employee involvement as the best way to achieve organization success is by involving and empowering employees at all levels (Pesteron, 1994)

The employee involvement consider achieving employee interest, participation and committed in the process of quality management aford (Dale and Cooper, 1993). Employees are encouraged to perform functions such as information processing, problem solving and participate the decision making process. Employee involvement can be defined as the degree to which employees in a firm committed in activities, employees acquire new knowledge by training and education, see the benefits of the quality disciplines, and obtain a sense of accomplishment by solving quality problems as a team (Juran, 1993). Production workers should regularly participate in operating decisions such as planning, goal setting, and monitoring of performance. They are encouraged to make suggestions and take a relatively high degree of responsibility for overall performance (Deming, 1986).

Mainly employee involvement can be maximized by four methods. They are achieving a motivated workforce, employee survey, empowerment and team work. Employee survey assists the managers to assess the current state of the employee relations. It is also very easy to measure the effectiveness of the program implementation. Employee surveys involve to identifying strengths and weakness of the employees and made required improvement (Besterfild ,1996).

### **4.3.3 Continuous improvement**

Total Quality Management is consider with the continuous improvement in all the process of production, The principle behind the idea of continuous improvement is basically the idea that mistakes can be avoided and defects can be prevented. According to Stahl (1995), continuous improvement refers to the constant refinement and improvement of products process and organizational system to yield improved value to customers. He has further explained that the continuous look for ways in improving quality of product or service in the absence of customers complain may prevent a future problem and the continuous improvement process aims to identify and eliminate the cause of a mistake in order to prevent its reoccurrence.

According to the ISO 9000 standard, continuous improvement is the everyday activities executed by a company in other to enhance its ability to meet customers' demands. Deming (1986) states that continuous improvement as "improving constantly and forever the system of production and service to enhance quality and productivity, and identify cost losses in all process. Continuous improvement means a commitment to constant examination of the technical and administrative process in search for better methods.

### **4.3.4 Customer focus**

Organizations success depends on how many customers it has, how much buy, how often they buy. Customer satisfaction is the one of the significant purpose of the Total Quality Management. The most important asset of an organization is its customers.

TQM is an ideology which is focused on the satisfaction of customer's need. Thus, most organizations try as much as possible to meet or exceed customer's expectation in their daily activity and also their long term plan (Andrle, 1994). Total Quality Management require organizations to develop a customer focused operational processes and at the same time committing the resources that position customers and meeting their expectation as an asset to the financial well being of the organization.

Filippini and Forza (1998) explained that it is necessary for organization to maintain a close link with their customers in order to know their requirements and to measure how it has been successful in meeting up to customers' requirements. Organization uses a variety of techniques such as customer survey, focus groups and advisory panels service visit teams and close up interviews to measure customer satisfaction (Berry, 1991; Clemmer, 1990; Talor, 1995; Thiagarajan and Zairi, 1997).

## **5 Methodology**

First phase of the research is exploratory in nature. The initial phase is to undertake detailed secondary

search about Private Sector organizations in Sri Lanka. The second phase of the study is a descriptive research, where the primary data are collected from private sector organizations in Kandy District. The data is collected using a the questionnaires. It consist of three main sections, including general information about respondent and background of the company, the implementation situation of TQMP practices and OP in private sector organizations. Simple random sampling technique is adopted by the researcher in getting the respondents to answer the questionnaires. The total 25 private sector organizations were selected based on the highest number of employees in Kandy District.

## 6. Hypothesis of the Research

Following hypotheses were developed with the support of past literature

Hypothesis 1 = TQM practices enhance the organizational performance

Hypothesis 2 = Top management commitment impacts the organizational performance

Hypothesis 3 = Continuous process improvement highly impact to the organizational performance

Hypothesis 4 = Customer focus highly impact to the organizational performance.

Hypothesis 5 = Employee involvement has an impact on the organizational performance

## 7. Results and Discussion

To identify the basic nature of the research variables, descriptive statistics were calculated. Table 1 shows result of study. From the Table, the mean value of the organizational performance of selected organizations is relatively high (Mean=4.1387, SD = 0.5007). According to study findings practicing of continuous improvements” of selected organizations is also comparatively moderate level (Mean=3.893, SD=0.724). As a Total Quality Management practices customer focus represent the highest mean value (Mean=4.264, SD=0.453).It means that “Customer focus” is highly practiced by selected organizations. However other practices of TQM top management commitment and employee involvement are highly practiced by selected organizations.

**Table 1: Descriptive Statistic**

	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Std. Error
Organizational Performance	4.1387	.50071	-0.716	0.464
Top Management Commitment Continuous Improvement	4.1800	.44791	-1.289	0.464
Customer Focus	3.8933	.72470	-0.133	0.464
Employee Involvement	4.2640	.45358	-0.595	0.464
	4.1920	.42615	-0.561	0.464

To identify the relationship between key research variables, correlation analysis was used. In statistics, correlation (often measured as a correlation coefficient, r) indicated the strength and direction of a relationship between two or more variables

**Table 2 : Results of Correlation between Total Quality Management and organizational performance.**

Variable		Organizational performance
Total Quality Management	Pearson Correlation	0.875**
	Sig(2-tailed)	0.00
	N	25

\*\* . Correlation is significant at the 0.01 level (2-tailed)

Table 2 indicates results of correlation between top management commitment and organizational performance. The study revealed that positive and significant correlation between TQM and, organizational performance,  $r = 0.875$  at 0.00 significant level. This result supports the first hypothesis (H1) of the study.

**Table 3 : Result of Correlation between Top Management Commitments and organizational performance**

Variable		Organizational performance
Top Management Commitment	Pearson Correlation	0.717**
	Sig(2-tailed)	0.00
	N	25

\*\* . Correlation is significant at the 0.01 level (2-tailed)

Table 3 indicates results of correlation between top management commitment and organizational performance. The strength of association between top management commitment and organizational performance was strong and positive having scored a correlation coefficient of 0.717. The correlation was statistically significant since it had a P- Value of 0.00 which is less than 0.01. This result support the second hypothesis (H2) of the research. Accordingly top management commitment has an impact the organizational performance.

**Table 4 : Result of Correlation between Continuous improvement and Organizational performance**

Variable		Organizational Performance
Continuous Improvement	Pearson Correlation	0.719**
	Sig.(2-tailed)	0.00
	N	25

\*\* . Correlation is significant at the 0.01 level (2-tailed)

Table 4 shows results on correlation between continuous improvement and organizational performance. As shown in the above table the study revealed a positive, significant correlation between continuous improvements and organizational performance,  $r = 0.719$ . The result are statistically significant at the 0.01 significant level. This result supports the third hypothesis (H3) of the study. This indicated that as a result of practicing continuous improvement organizational performance is highly increased.

**Table 5 : Results of correlation between customer focus and organizational performance**

Variable		Organizational performance
Customer Focus	Pearson Correlation	0.698
	Sig(2-tailed)	0.00
	N	25

\*\* . Correlation is significant at the 0.01 level (2-tailed)

Table 5 indicates results on correlation between customer focus and organizational performance. The study revealed a positive, significant correlation between customer focus and, organizational performance,  $r = 0.698$  at 0.01 significant level. This result support the fourth hypothesis of the study. Accordingly it is revealed that customer focusing has an impact organizational performance.

**Table 6 : Results of correlation between employee involvement and organizational performance.**

		Organizational performance
Employee Involvement	Person Correlation	0.737**
	Sig (2-tailed)	0.00
	N	25

\*\* . Correlation is significant at the 0.01 level (2-tailed)

Table6 indicates results on correlation between employee involvement and organizational performance .As shown in the above table the study revealed a positive correlation between employee involvement and organizational performance( $r = 0.737$  with  $P > 0.01$ ). This result supports the fifth (H4) hypothesis of the study. It is revealed that as a result of employee involvement organizational performance is highly increased. According to this in comparison with other practices employee involvement is strongly impact to increase the organizational performance. The second highest correlation is between continuous improvement and organizational performance. ( $r=0.719$ ).The third highest correlation is between continuous improvement and organizational performance. ( $r=0.719$ ).As a Total Quality Management practice customer focus shows a low correlation comparison with other practices.

## 8. Conclusion

The correlation among Total Quality Management practices and organizational performance were evident. The research findings were statistically proved that Top management commitment strongly impact to the organizational performance. It is revealed that coaching of junior officers, availing adequate resources ,commitment to quality and trusting working relations were important components of top management commitment that impact to increase the organizational performance in private sector organizations. The study demonstrated that continuous improvement was an important Total Quality Management practice that strongly impact to the organizational performance in private sector organizations. It proved that process improvement, improvement teams and improvement tools are played an important role in the processes of increasing organizational performance. The study demonstrated that customer focusing significantly and positively impact to the organizational performance.Accordingly close contact with customers, addressing customer needs and resolving customer complaints are most crucial factors in the process of increasing organizational performances.Further the research findings revealed that the highest correlation between employee involvement and organizational performance. Accordingly employee involvement is strongly impact to process of increasing the organizational performance

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