Impact of total quality management (TQM) practices and service quality (SQ) on organizational performance (OP) along with customer satisfaction and employees' satisfaction

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ABSTRACT
The purpose of this research is twofold to investigate the impact of total quality management (TQM) practices & service quality on organizational performance and their effect on customer satisfaction (CS) and employee satisfaction (ES). One chain of stores named Hyper Star is selected to execute the objectives of the research. Data from 200 employees and 200 customers of the Hyperstar from Lahore, Pakistan is collected by Cross sectional survey by using structured questionnaire, the response is determined by using 5 item based likert scale. With the reliability of all the constructs more than 70%. Regression analysis reveals that TQM and SQ effect positively and significantly on OP, CS and ES.

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Introduction
Bester field et al., 1999, Total Quality Management (TQM) has been defined as a thinking as well as set of guiding doctrine that characterize the basis of an exceptional organization. Total Quality Management is a complete and planned framework of organizational management whose objective is to constantly improve the product and service quality in the light of continuous customer opinion.

All sorts of organizations can implement TQM practices; although it started off in the production or manufacturing firms but now more or less every kind of organization adapted to use it. Different researches have different conclusions, regarding the impact of TQM practices upon organizational performance. Many researchers found that business performance of an organization is strongly affected by TQM implementation, while others declared that business performance of an organization has not seen any improvement by TQM implementation.

Saravanan & Rao, 2007, Successful TQM implementation constantly boosts quality and organizational performance. Harnesk & Abrahamsson, 2007, Total Quality Management has both passionate supporters and strong opponents, on one hand it is supposed to be controlling, on the other it is believed to be employee empowering, similarly some other conflicting views are that TQM brings collectivism versus TQM brings individualism and TQM leads to standardization versus TQM brings innovative wisdom.

Demirbag et al., 2006, TQM is a new approach to traditional ways of doing business. It has become yardstick for competing business globally because it’s the only technique that can change the organizational culture & actions completely.

Total quality management (TQM) is a mechanism focused on excellence in quality, used to administer a business and stands on the contribution of all employees and aimed at lifelong achievement. This is accomplished by satisfying the customers and paying back to not only the employees of the firm but to the public as well. In other words, the TQM is a viewpoint of running an organization, in a manner, which allows responding to the desires and the hopes of all parties in an efficient and effective manner without compromising ethics (ISO 8402, 1994).

Anderson, Fornell, & Lehmann, 1994, TQM put into practice generally all over the world. Many firms have found that successful implementation of TQM can develop their abilities to compete on better grounds and provide financial advantages not at national level but at international level too.

Garvin, 1991; Hendriks & Singhal, 1997, The achievement of Total Quality Management relies on the valuable addition of different management subsystems. Currently, studies have claimed that successful execution of TQM could create better-quality merchandise and services at condensed costs. More satisfied employees & customers and enhanced performance in financial matters are added advantages of TQM.

Literature Review
The service quality has a vital role in interactive companies where customer and employees have directly involved with each other like retail chains.

Top researchers consider that standard to measure the viability of a service firm (e.g retailer) is not the only key factor for "customer satisfaction" but also giving “quality service” to consumers is vital.

In an era of market competition, for organizations to continue to exist the requirement for quality is increasing as the most important factor in rapidly developing universal marketplace. Quality is crucial in establishing the financially viable achievement of manufacturing firms. International leaders in manufacturing industry get competitive advantage with larger market share from beginning to end astonishing display of performance. It can be possible only when on requirement of demanding customers a quality product with a competitive price is presented. Thus integration of TQM with service quality can lead to improved organizational performance.

Terziovski & Samson, 1999; Brah et al., 2002; Kaynak, 2003, According to Contingency theory:- far above the ground performance of an organization, systems/processes of the organization rely on a variety of context factors. Many studies describe a positive relationship between organizational
Performance and Total Quality Management (e.g. The performance of service firms is directly and significantly linked with the “service quality”, and to attain “service quality” the implementation of Total Quality Management practices is vital. For continued existence, it is obligatory to give “best service quality”. It is also considered as “pre-requisite to success” of service organizations (Roger, H. et al. 1996).

Quality is defined as: “Degree to which a set of inherent characteristics fulfill requirements” (ISO 9001:2008). Lewis & Booms. 1983, Service quality is a term which describes a comparison of expectations with performance.

**An Overview Of Service Quality Studies**

<table>
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<th>“Technical and functional quality”</th>
<th>“(Grönroos, 1984)”</th>
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<td>“Customer’s experiences with tangibles, reliability, responsiveness, assurance, and empathy aspects of service delivered by a firm”</td>
<td>“(Parasuraman et al., 1988)”</td>
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<td>“Service product, service environment, and service delivery”</td>
<td>“(Rust et al., 1994)”</td>
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<tr>
<td>“Interaction quality, physical environment quality, and outcome quality”</td>
<td>“(Brady et al., 2001)”</td>
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<td>“Critical success factors are those few things that must go well to ensure success for a manager of an organization, and, therefore, they represent those special and continual attention to bring about high performance. CSFs include issues vital to an organization’s current operating activities and to its future success.”</td>
<td>(Zmud, R.W. and Boynton, A.C., 1984)</td>
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The firms that employ TQM in the business culture and strategy are by default, market oriented companies. Like revealed before, TQM directs to improved service quality and better product. These sorts of improvements from TQM lead to high value perception among customers, which can be a source of differentiation to the organization. Moreover, customer will be willing to pay extra amount for that sort of improvement in service. Sparks, R.E. (1993)

Employee empowerment, information and communication, customer focus, and continuous improvement had a significant effect on service quality. Nusrath, Samat. et al. (2006)

Attainable increases in satisfaction could significantly improve profitability which is a measure of organizational performance. Hallowell, R. (1996)

Successful TQM implementation constantly boosts quality and organizational performance. (Saravanavan & Rao, 2007)


Significant positive impact of the “TQM implementation on both the operational and the organizational performance”. Salaheldin, S. I. (2009)

**Objectives: There are number of objectives of this study**

1. To know the effect of the seven dimensions of Total quality Management (TQM) named , Management Support & commitment (MSC), Employee Involvement (EI), Information & Communication (IC), Education & Training (ET), Role of Leadership (RL), Continuous Improvement (CI), Customer Focus (CF) on Organizational Performance (OP)
2. To assess the impact of TQM practices and Service Quality (SQ) on Customer Satisfaction (CS)
3. To determine the role of TQM in determining the employees satisfaction
4. How much Organizational Performance depend on TQM and SQ

**Methodology**

The cross sectional research design was used by controlling the demographic variables and structured questioner is used to measure the constructs. Data from 230 employees and 200 customers is selected through probability sampling techniques. The reliability of different constructs is computed by Cronbach Alpha. To achieve the objectives of the study, following models are purposed

\[ OP = \alpha + \beta_1 MSC + \beta_2 EI + \beta_3 IC + \beta_4 ET + \beta_5 RL + \beta_6 CI + \beta_7 CF + u \]  

Where OP = organizational performance  
MSC = Management Support & commitment  
EI = Employee Involvement  
IC = Information & Communication  
ET = Education & Training  
RL = Role of Leadership  
CI = Continuous Improvement  
CF = Customer Focus

\[ CS = \alpha + \beta_1 TQM + \beta_2 SQ + u \]  

Where CS = customer satisfaction  
TQM = Total Quality Management  
SQ = Service Quality

To determine the role of TQM in determining the employees satisfaction  
How much Organizational Performance depend on TQM and SQ

**Analysis**

The data of employees and customers is entered in SPSS by predefined coded scheme and the following analysis is performed. Employees and customer’s questionair based on 33 items respectively and their overall reliability by Cranach’s Alpha was found to be 79% and 74% respectively, which lie within acceptable limits.

**The reliability of other constructs is as**

The reliability statistics are lie within acceptable limits. Model 1 has been analyzed by using multiple regressions and the result of fitted model is as

\[ OP = \alpha + \beta_1 MSC + \beta_2 EI + \beta_3 IC + \beta_4 ET + \beta_5 RL + \beta_6 CI + \beta_7 CF \]
The estimated model shows that all the estimates of betas are positive and the effects of explanatory variables are significant, the power of the model is 76% which can be considered as a good explanatory power and indicate that the model is significant. Estimated form of model II by ordinary least square method is as

\[ \text{ES} = 5.91 + 7.33 \text{TQM} - 5.35 \text{SQ} \]

\[ R^2 = 0.80 \]

\[ \text{t-stat:} (10.58) (193.88) (40.45) \]

p-value: (0.00) (0.00) (0.00)

both TQM and SQ effect positively and significantly to Customer satisfaction, model is significant with 80% explanatory power

model-III is estimated by using OLS is as

\[ \text{OP} = 5.88 + 6.41 \text{MSC} + 9.09 \text{CI} + 1.25 \text{ET} + 6.61 \text{TL} + 1.51 \text{RL} + 3.38 \text{CF} + 3.68 \text{CF} \]

\[ R^2 = 0.76 \]

\[ \text{t-stat:} (8.56) (10.58) (193.88) (40.45) \]

p-value: (0.00) (0.00) (0.00) (0.09)

with 72% explanatory power model III is also significant and TQM effect positively and significantly

Estimated form of model IV is

\[ \text{OP} = 4.29 + 1.25 \text{TQM} + 0.95 \text{SQ} \]

\[ R^2 = 0.68 \]

\[ \text{t-stat:} (8.56) (2.5) (5.4) \]

model IV is also found to be significant with 68% explanatory power, both explanatory variables effect significantly and positively to organization performance

Conclusions

All the four models are found to be statistically significant with a very strong explanatory powers Organization performance depend on the seven dimensions of TQM used in model I, all the seven dimensions effect positively and significantly. In model II the effect of Total Quality management and service quality on Customer satisfaction is found to be statistically significant.

In model III, the effect of Total Quality Management on Employee satisfaction is observed to be positive as well as statistically significant. In model IV, the effect of Total Quality Management and Service quality on Organizational performance is found to be statistically significant as well as positive.

Strategic management in any organization is a crucial factor in efficient and effective leadership for successful functioning of any organization. The study findings conclude that effective management leads to improved performance. There is a need to put more emphasis on all TQM principles to ensure more improved organizational & business performance.

The study findings also infer that use of service quality integrated with TQM practices in the activities necessary to realize desired outcomes, estimating risks and impacts of activities on customers and other stakeholders and analyzing and measuring of the capabilities of key activities can also have a major impact on overall organizational & business performance.

References


