



An Exploratory Review of Total Quality Management and Organizational Performance

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ABSTRACT

The concept of Total Quality Management (TQM) as an ingredient for an organizational performance is of paramount importance for every organization in pursuit of competitiveness. TQM implementation has been an important aspect for improving organizational effectiveness and efficiency. A good number of scholars have investigated the links between TQM and performance. In examining the relationship between TQM and performance, scholars have used different performance indices such as financial, innovative, operational and quality performance. A considerable amount of publications on the TQM suggest that TQM can be tantamount to improvement of performance in organizations. TQM focuses on continuous process improvement within organizations to provide superior customer value and meet customer requirements. TQM as a popular guideline for organizational management is adopted for developing strategic infomaps and infocharts for an information organization.

Keywords: Performance indices, customer value, TQM, competitiveness, information organization.

INTRODUCTION

Total Quality Management (TQM) can be considered as of fundamental vitality for any organization. The TQM concept has captured the attention of all sides of commerce and industry, politicians and academics. Incalculable articles have been written and published on TQM as a testimony to the high level of interest in quality issues. Quality improvement in the past decade has become one of the most important organizational strategies for achieving competitive edge. Quality improvement with which an organization can deliver its products and services is critical for competing in an expanding and competitive global market. The primary assumption of TQM is that employees in organizations must cooperate with each other in order to achieve quality for the needs of the customer. Ipso facto, the achievement of quality can be through controlling manufacturing/service processes to prevent defects. In this context, therefore, TQM, does not only consist of quality tools and techniques. TQM processes will depend on a certain set of values and beliefs that are shared by every member of an organization. Quality as a very important concept has moved from a popular analogy of product reliability to the buzz word of enhancing competitive advantage of an organization. In fact, according to Zollo and Winter (2012) quality went from being a one-dimensional attribute of the product to being considered a multi-dimensional construct which has to be managed with the implementation of which leads to a dynamic capability of firms. Despite the *cornucopia* of articles and books on TQM, the concept remains a hazy, ambiguous concept (Dean and Bowen, 1994). Perhaps, this may be due to the fact that the term TQM means different things to different people. Quality "gurus" such as Deming (1986) and Juran (1989) have proposed their own frameworks. In this context, therefore, quality helps companies with the structural antecedents that leads to successful implementation and continuous improvement through the TQM application process. Training for quality is of paramount importance and should be conducted with a view to promoting continuous improvement process through a well-planned and well structure system. The fundamental goal of this approach should, therefore emphasize carrying everyone along.

In the studies preceding the above (Anderson, et al. 1994; Terzioski and Samson, 2000) suggest that TQM strategy that focuses on increasing customer levels of satisfaction does have a significant and positive impact on performance. Ittner and Larcker (1996), for example, suggest that attaining customer satisfaction is thought to increase the profits of the organization by decreasing costs through fewer returns and increasing revenues through customer loyalty. TQM and its interconnectedness with performance have been investigated by numerous scholars. In examining the relationship between TQM and performance scholars such as Prajogo and Sohal (2003) have used different performance types such as financial, innovative, operational and quality performance. Although the effects of TQM on various performance types are inconsistent, quality performance generally indicated strong and positive relations. For example, the factors that either encourage or inhibit accounting lag following the implementation of TQM practices has been examined by Gurd, et al (2002). Specifically, they found that industry sectors, management commitment, organizational structure, participation, and financial performance, have an impact on accounting lag.

Studies have claimed that marketing and TQM are complementary business philosophies (Longbottom, et al, 2009; Mohr-Jackson, 1998). According to Saraph et al. (1989), many studies have attempted to develop an appropriate set of critical quality management constructs to represent an integrated approach to TQM implementation in a business unit (Rao, et al, 1999). Some scholars like Prajogo and Sohal, 2004; Prajogo and Sohal, 2001; Kaynak, 2003 have claimed that the effects of TQM practices on various types of performance measures differ. Furthermore, empirical studies have revealed that there is an indirect relationships between TQM practices and another type of performance measure (Prajogo and Sohal, 2006; Choi and Eboch, 1998; Sila, 2007).

2. Total Quality Management (TQM)

The concept of Total quality management is about a management approach that is centered on quality, and it is based on the participation of people within an organization with the fundamental aim at a long term success. The achievement of this can only be made through customer satisfaction and benefits to all members of the organization and the entire society.

In other words, TQM is a philosophy for managing an organization in a way that facilitates without compromising ethical values the efficient and effective needs of stakeholders and expectations.

Bellis-Jones and Hand, (1989) suggest that TQM is not just another management fad; it is capable of delivering real competitive advantage. It is expected that when TQM integrates all the necessary requirements to uphold quality, organizations can be sure of having a competitive advantage over others.

The main emphasis for TQM has been continuous process improvement within organizations in order to provide and enhance customer values and meet customer requirements. TQM as a popular guideline for organizational management is adopted for developing strategic infomaps and infocharts for an information organization (St. Clair, 1987; Cronin, 2000; Gregory, 2000). By definition, TQM is a holistic management philosophy that strives for continuous improvement in all functions of an organization, and it can be achieved through quality utilization from the resources acquisition to customer service. The total quality management approaches to doing business have gained incalculable wide acceptance throughout the world particularly in the United States of America in the late 1980s and early 1990s with the individual elements such as the use of statistical data, teamwork, continual improvement, customer satisfaction and employee involvement. In this context, therefore, Improvement of performance becomes the cardinal focus of TQM and this, undoubtedly transcends all quality initiatives of every organization. In order to achieve this focus, organizations' staff should be involved and given opportunities to participate actively on quality issues. This approach, if adopted will inculcate in people an essential environment that will help to drive innovation and move the organization in the right direction.

3. The Strategy for Total Quality Management (TQM)

Several components have been cited as fundamental strategy for TQM. These strategies, *inter alia*, will include satisfying the needs of customers, involving employee, organizational development/leadership,

and continuous improvement and process control. Quality focused organizations must identify their customers (both internal and external), determine the specific needs of these customers, integrate all activities of the organization (including marketing, production, finance, HRM, and IS) to satisfy the needs of these customers, and finally, follow up to ensure the customers have been satisfied (Feigenbaum, 1991).

In order to measure quality, the costs should be considered. Doing so will enable an organization to track some of the rudiments associated with quality improvement including the extent of its effectiveness." Cost of quality has received increasing attention in recent years. It is effective in its intended purpose of raising awareness about quality and communicating to management the benefits of TQM in terms of dollars. Under TQM systems, product/service design efforts have two objectives: designing manufacturable products and designing quality into the products (Handfield, et al, 1999). Designing to simplify manufacturing utilizes cross-functional teams to reduce the number of parts per product and standardize the parts Chase, et. al. 2001), which results in more efficient process management by reducing process complexity and process variance (Ahire and Dreyfus, 2000).

Effective supplier quality management is facilitated by long-term, cooperative relationships with as few suppliers as possible to obtain quality materials and/or services. Maintaining a small number of suppliers improves product quality and productivity of buyers by encouraging enhanced supplier commitment to product design and quality (Trent and Monczka, 1999). Quality is advantageous because its application to organizations creates advantage over competitors and enables an organization to increase its volume of customers' loyalty. Consequently, a strategy of high quality will be tantamount to a sustainable competitive advantage (Porter, 1980). Competitive advantage of a firm can enable it to exert control over the products and service they produce and provide.

4. Brief theoretical framework of Total Quality

1. In Quality, priority is given to customer satisfaction;
2. In quality, continuous improvements is stressed to prevent non-conformance;
3. Achieves zero defect standards through clear goals;
4. Of primary value is training and educating for quality;
5. Welcome complaints and suggestions;
6. Sincere commitment to quality by everyone;
7. Awareness of quality
8. Recognition and rewarding of performance

5. Total Quality Management and Organizational Performance

Measuring performance has become a very important component for the management of quality. What distinguishes the total quality approach from the traditional way of doing business can only be found in how it is achieved. The distinctive characteristics of total quality are customer focus (internal and external), obsession with quality, use of scientific approach in decision making and problem solving, long term commitment, team work, employee involvement and empowerment, continual process improvement, bottom-up education and training, freedom through control and unity of purpose. All of this should be aimed at buttressing the strategy of an organization. However, it has been claimed that conventional aggregate financial accounting indicators are inappropriate in TQM settings (Drucker, 1990). According to Armitage and Atkinson, 1990; Vollman, 1990; Hall, et al, 1991, an important part of ensuring that TQM leads to sustained improvements in organizational profitability is that direct quantitative measures of manufacturing are used to assess the effectiveness of managers' efforts to manage the development and implementation of TQM programmes. It is for this reason that awareness has grown to support a strategic competitive variable, for high quality products. To support the aforementioned statements, Harmon and Peterson, 1990 opined that TQM has evolved as a philosophy that emphasizes the need to provide customers with highly valued products and to do so by improvements in efficiency by way of eliminating waste, reducing lead times at all stages of the production process,

reducing costs, developing people, and improving continuously.

Following on the foregoing arguments, Wilson (1992) asserts that although TQM provides a potential for organizations to enhance their competitiveness there is evidence that a good number of organizations have been disappointed to such an extent that TQM has been equated with sustained improvements in organizational profitability. In view of this, it is vital for an organization to use human resource (HR) management practices as a basis for developing a systems approach to managing an organization. Convincingly, good HR practices like performance management system will be paramount here. Performance management if implemented successfully will allow managers to better prepare employees to tackle their work responsibilities by focusing on organizational strategy of promoting quality.

Strategically, total quality organizations have a comprehensive strategic plan that contains certain elements such as vision, mission, broad objectives and activities that must be completed to accomplish the broad objectives. The strategic plan of a total quality organization is designed to give it a sustainable competitive advantage in the marketplace. The competitive advantage of a total quality organization are geared toward achieving world leading quality and improving on it, continually and forever. Waldman and Gopalakrishnan, (1996) claim that quality is, in fact, largely a customer perception based on how well the product or service meets the customers' needs and expectations. Where this is not achieved in accordance to the organization's strategy, the result is failure. Satisfying the customer is an important aspect of the manufacturing process and this requires the customer's input at all stages of manufacturing (Lubben, 1988).

6.0 CONCLUSIONS

We have in this scholarly paper analyzed the interconnectedness between total quality management and organizational performance. A good number of researchers have examined the relationships between total quality management (TQM) and financial performance. Researchers such as (Hendricks and Singhal, 1999; Easton and Jerren 1998), provide evidence to show that effective TQM implementations improve long-term profitability and stock returns. In consideration of the above, Goetsch and Davis (2006) suggest that to succeed in global marketplace for now and in the future, organizations need to operate according to the principles of quality management. In a review of the literature covering the relationship between TQM and innovation, Prajogo and Sohal, identified two competing arguments. The first argument suggests that TQM is positively related to innovation performance because it establishes a system and culture that will provide a fertile environment for organizations to innovate (Mahesh, 1993). The opposing argument holds that the implementation of TQM principles and practices could hinder organizations from being innovative (Harari, 1993). Empirical evidence suggests there is a direct relationship between the adoption of Total Quality Management (TQM) and improved firm performance (Lemalk et al (1997). Furthermore, Reed, Lemak and Montgomery (1996) argue that the content of TQM can be distinguished based on the issue of two business orientations: customer orientation and process orientation. Here the orientation of customers becomes vital since the focus of organizations will be on gaining a competitive advantage thereby leading to outperformance of other competitors by increasing the number of customers that prefer their products.

Dean and Bowen (1994) argue that from a strategic management perspective, TQM is concerned more with strategy implementation, or deployment, rather than strategic choice, or intent. Another strong implication about the association between TQM and cost leadership is suggested by Gobeli and Brown (1994). They went on (Gobeli and Brown, 1994) to label TQM as a value leader since it places more emphasis on process innovation than product innovation. By focusing on process innovation, TQM can be linked to Porter's cost leadership strategy. Some studies have found that the use of TQM practices reduces manufacturing process variance, eliminates reworks and scraps, and improves quality performance (Daniel and Reitsperger, 1991). In addition, there is considerable anecdotal evidence on the extent to which TQM initiatives enhance the potential for firms to improve their performance. Moreover, some studies have found that TQM firms do not outperform non-TQM firms (Fuchsberg, 1993).

Prior studies (Ittner and Lacker, 1996) suggest that TQM strategy that focuses on increasing customer

levels of satisfaction does have a significant and positive impact on performance. Ittner and Larcker, 1996; Terzioski and Samson, 2000, for example, suggest that attaining customer satisfaction is thought to increase the profits of the organization by decreasing costs through fewer returns and increasing revenues through customer loyalty. In the period that follows the process of production, access could be requested by customers in terms of the use of data, process of statistics in order to evaluate the extent of quality of products. Waldman and Gopalakrishnan (1996), claim that quality is, in fact, largely a customer perception based on how well the product or service meets the customers' needs and expectations. There is considerable anecdotal evidence on the extent to which TQM enhances the potential for firms to improve organizational performance (Hall, 1990; Hayes, et al, 1988). In addition, the empirical findings of Kim and Miller (1992), based on a survey of the manufacturing strategies of 111 firms in the U. S. A. suggest that whatever activities that are associated with TQM (such as conformance quality, product reliability, on-time delivery and performance quality) as well as with price were the most important capable instruments for manufacturing firms in the 1990s. Schmenner (1988) and Schmenner and Cook (1985) support this assertion by demonstrating that quality enhances productivity by reducing time spent in the manufacturing process.

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