

The Impact of Total Quality Management Practices on Organizational Performance of SMEs in Pakistan

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Abstract

Purpose: This study aims at measuring the impact of TQM practices (Top management commitment, customer focus, supplier quality management and process management) on organization performance.

Design/Methodology/Approach: Structured close ended questionnaires were used. Around 80 questionnaires were distributed in the offices of three SME's; 58 were returned back. Statistical Package for Social Sciences has been used to analyze the data collected through a survey.

Finding: Results have shown a positive relationship between implementation of TQM practices and organization performance.

Research Limitation/Implications: This research study covers the few organizations of SME's which don't validate the research results over the whole telecom industry.

Practical Implication: This study further provides guidance to managers to identify quality elements that need to be improved, to enhance performance & profitability of business.

Keywords

Total quality management, Quality Management, Process management and Organizational performance.

INTRODUCTION

Problem Statement

Minor quality related issues can generate major problems for the organization in the future. The purpose of this study is to measure the impact of TQM practices (Top management commitment, customer focus, supplier quality management and process management) on organization performance.

Significance of the Study

Implementation of total quality management practices is a pervasive problem of an organization. It is essential for an organization to provide an environment to fully implement quality management practices.

Therefore, it is important to study the relationship between total quality management best practices and organizational performance. This research will help the telecom sector of Pakistan in formulation of policies and strategies in order to cope with issues related to quality management.

Research Objectives:

- To examine the impact of Total Quality Management Practices on Organizational Performance in Telecom Sector of Pakistan.
- To suggest strategies to Telecom operators of Pakistan to deal with issues related to total Quality Management.

Research Questions

- How does organizational performance affected by total quality management practices in Telecom sector of Pakistan?

METHODOLOGY

Targeted Population & Sample Size

This study population consisted of employees from different departments of aforementioned organizations from managerial and officer level, so as to get a holistic approach. A total of 80 respondents were targeted by the study out of which 58 responded giving a response rate of 72.5%. 72.4% of the respondents were male and 27.6% were female. The participants' age varied from 23 to 50 years old, with an average of 32.53.

Sampling Method

Simple random sampling technique is used to sample the study respondents. As simple random sampling is one in which each unit in the accessible population has an equal chance of being selected in the sample.

Data Sources

Data was obtained from primary sources with the help of close ended questionnaire i.e. all questions were intended to restrict respondent's answers.

Research Instrument:

The questionnaire had two sections. In the part I of the questionnaire, the general demographic data of participants were asked for, including name, gender, age, and designation. Second part of the questionnaire consisted of 5 items (Four Independent Variables and One Dependent Variable) along with related questions.

RESULTS

Demographics

Table 1
Demographics-Age

Age	No. of Responses
20-25	8
26-30	23
31-35	8
36-40	9
41-45	9
46-50	1

Table 2
Demographics-Gender

Total No. of Respondents	58
Male	42
Female	16

The sample of the present study consisted of 58 employees of Telecom Sector (Telenor, PTCL & Huawei). 48 of them were male (72.4%) and 16 were female (27.59%). The participants' age varied from 23 to 50 years old, with an average of 32.53.

Reliability Statistics

Table 3
 Reliability Statistics

Reliability Statistics		
Variables	Cronbach's alpha	No. of Items
Top Management Commitment	0.807	06
Customer Focus	0.762	06
Supplier Quality Management	0.842	04
Process Management	0.880	04
Organizational Performance	0.881	05

The alpha coefficient for the six items of "Top Management Commitment" is 0.807, and "Customer Focus" is 0.762, for the four items of "Supplier Quality Management" is 0.842, and "Process Management" is 0.880 and for the five items of "Organizational Performance" is 0.881 suggesting that the items have relatively high internal consistency.

Testing the reliability of the present study, using Cronbach's α , it was found that the values of all variables i.e. "Top Management Commitment", "Customer Focus", "Supplier Quality Management", "Process Management" & "Organizational Performance" were higher than 0.7, so the participants' answers were considered to be reliable.

Overall Percentages of Responses

Table 4
 Percentage of all Responses

Factors	Percentages		
	Yes	Neutral	No
Top Management Commitment	86%	7.75%	6.32%
Customer Focus	82%	9.48%	8.90%
Supplier Quality Management	85%	6.89%	8.18%
Process Management	75%	16.37%	8.60%
Organizational Performance	79%	12.06%	8.96%

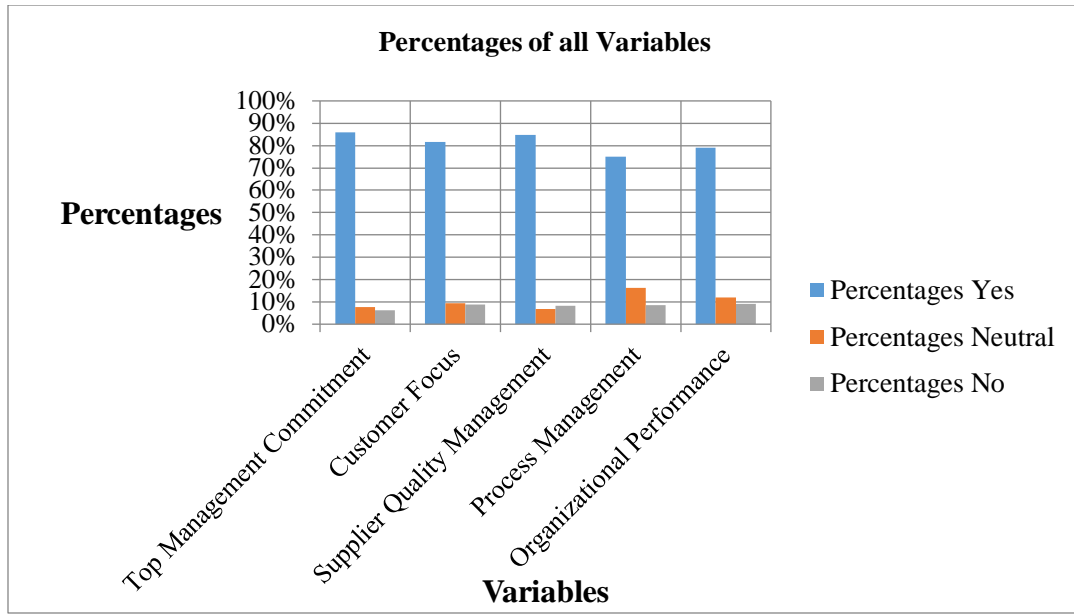


Figure 2: Overall Percentage of all Variables

For the variable “Top Management Commitment”, it was found that participants believed that top management views quality as most important factor and there is support of top management for enhancing quality of products and services. For the variable “Customer Focus”, participants agreed that there is much emphasis on customer needs/ requirements. For the variable “Supplier Quality Management”, it was found that participants believed that their company regards supplier quality management. For the variable “Process Management”, respondents agreed that processes are fool proof to minimize chances of employee’s errors. For the variable “Organizational Performance”, it was found that TQM Practices i.e. top management commitment; customer focus, supplier quality management and process management positively affect the performance of organization. Correlation between Top Management Commitment, Customer Focus, Supplier Quality Management, Process Management & Organizational Performance

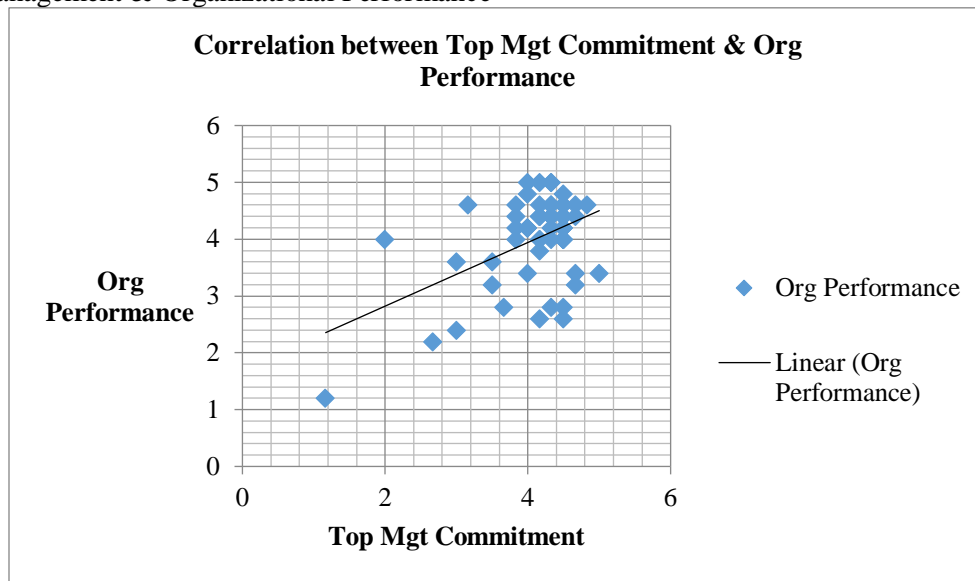


Figure 3: Correlation b/w Top Management Commitment & Organizational Performance

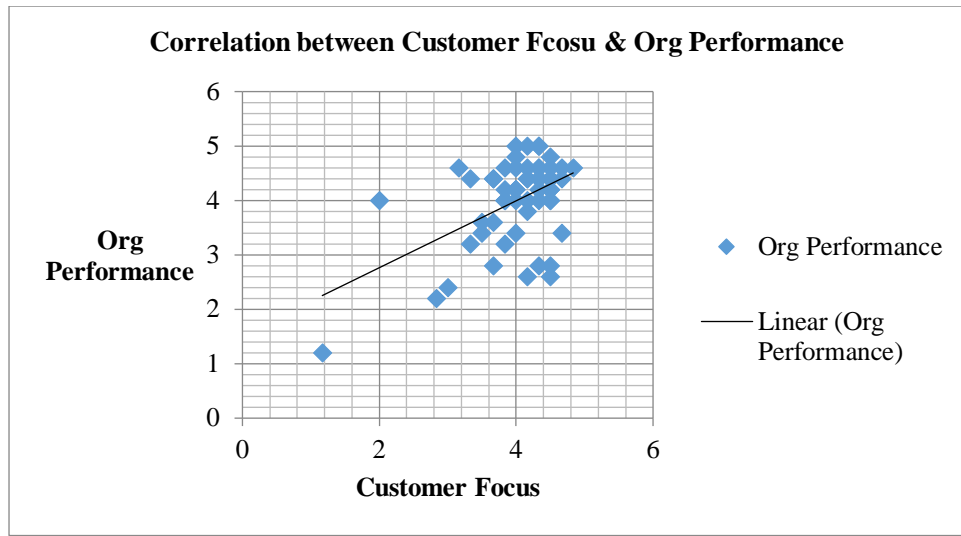


Figure 4: Correlation b/w Customer Focus & Organizational Performance

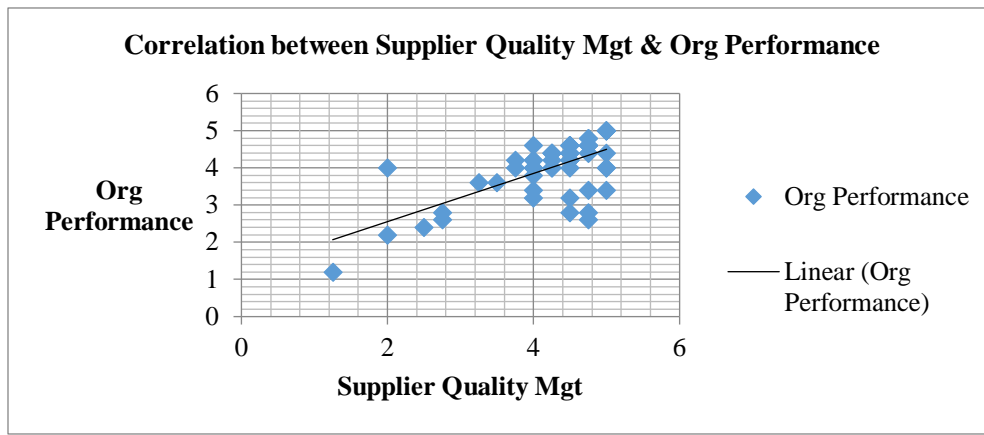


Figure 5: Correlation b/w Supplier Quality Management & Organizational Performance

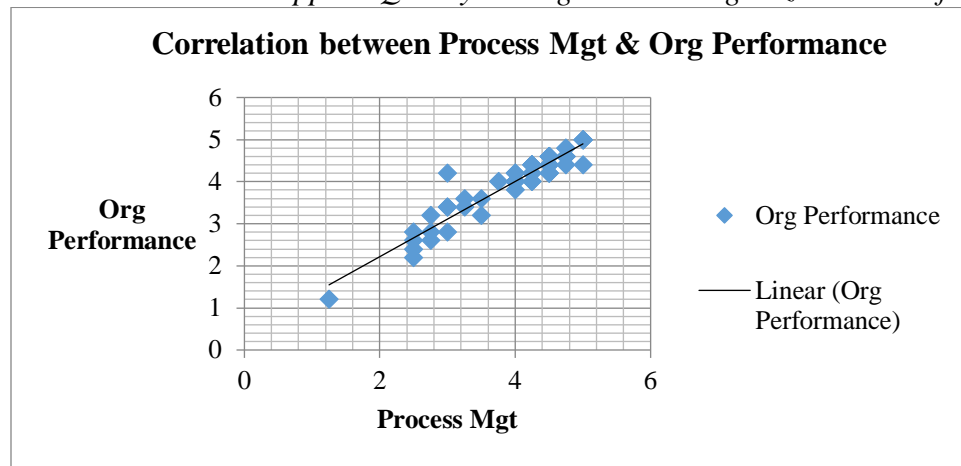


Figure 6: Correlation b/w Process Management & Organizational Performance

Results of correlation analysis showed moderate positive correlation between Top management support and organizational performance ($r=0.473661$), between Customer focus and

organizational performance ($r=0.498442$) and between supplier quality management and organizational performance ($r=0.669705$).

There is strong positive correlation between process management and organizational performance ($r= 0.950636$). Here one value i.e. Top management commitment, customer focus, supplier quality management & process management increases the other value i.e. organizational performance also increases.

Regression Analysis

Regression Analysis between Top Management Commitment & Organizational Performance

Table 5
 Regression Statistics

Regression Statistics	
Multiple R	0.47366094
R Square	0.22435468
Adjusted R Square	0.21050387
Standard Error	0.69663056
Observations	58

Value of R square is .224 while adjusted R square is .210. This model explains 22 % variation in dependent variable “Organizational Performance” that is caused by independent variable “Top Management Commitment”.

Regression Analysis between Customer Focus & Organizational Performance

Table 6
 Regression Statistics

Regression Statistics	
Multiple R	0.49844234
R Square	0.24844476
Adjusted R Square	0.23502413
Standard Error	0.68572722
Observations	58

Value of R square is .248 while adjusted R square is .235. This model explains 24 % variation in dependent variable “Organizational Performance” that is caused by independent variable “Customer Focus”.

Regression Analysis between Supplier Quality Management & Organizational Performance

Table 7
 Regression Statistics

Regression Statistics	
Multiple R	0.66970517
R Square	0.44850501
Adjusted R Square	0.43865689

Standard Error	0.58741052
Observations	58

Value of R square is .448 while adjusted R square is .438. This model explains 44 % variation in dependent variable “Organizational Performance” that is caused by independent variable “Supplier Quality Management”.

Regression Analysis between Process Management & Organizational Performance

Table 8

Regression Statistics

Regression Statistics	
Multiple R	0.95063568
R Square	0.90370821
Adjusted R Square	0.90198871
Standard Error	0.24545142
Observations	58

Value of R square is .903 while adjusted R square is .901. This model explains 90 % variation in dependent variable “Organizational Performance” that is caused by independent variable “Process Management”.

ANALYSIS & DISCUSSION

The scores for all variables appeared to range from moderate to high. According to above results, TQM practices i.e. top management commitment, customer focus; supplier quality management & process management have significant and positive effects on Organizational performance. The higher these variables are, the greater the performance of organization is.

CONCLUSION

Correlation results have shown that there is a positive correlation between the four variables of TQM (Top management commitment, customer focus, supplier quality management, process management) and organizational performance. Based on the obtained regression analysis, it was confirmed that “Process Management” has strongest influence on organizational performance. The strength of the impact of “Supplier quality management” is inferior to process management. The variables “Top management commitment” and “customer focus” showed moderate impact on organizational performance. The results of this research can be used as valuable and accurate reference for managers to formulate strategies or plans to improve quality and enhance organizational productivity.

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