



Fakulti Ekonomi dan Perniagaan

**THE IMPACT OF QUALITY MANAGEMENT PRACTICES
ON ORGANIZATION PERFORMANCE AT KUCHING**

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Bachelor of Business Management with Honours
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**THE IMPACT OF QUALITY MANAGEMENT PRACTICES ON
ORGANIZATION PERFORMANCE AT KUCHING**

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This project is submitted in partial fulfillment of the requirement for the degree
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Statement of Originality

The work described in this Final Year Project, entitled
**“THE IMPACT OF QUALITY MANAGEMENT PRACTICES ON
ORGANIZATION PERFORMANCE AT KUCHING”**
is to the best of the author’s knowledge that author except
where due reference is made.

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ABSTRACT

THE IMPACT OF QUALITY MANAGEMENT PRACTICES ON ORGANIZATION PERFORMANCE AT KUCHING

By

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The main aim of this study is to explore the relationship between quality management practices (leadership, continuous improvement, training and working culture) and their impact toward organization performance. A total of 140 sets of structured questionnaires were distributed to SMI Company in variety of industries and enterprise ownership which located in Kuching, only 52.14% of it, which is 73, were returned. The collected data was analyzed based on frequency, factor analysis, reliability, Person Correlation Coefficient, Regression, means and standard deviation. The findings of the study showed that continuous improvement and working culture had strong relationship with organization performance while leadership and training showed a weak relationship with organization performance.

ABSTRAK

KESAN-KESAN DARIPADA LATIHAN PENGURUSAN KUALITI

TERHADAP PRESTASI ORGANISASI DI Kuching

Oleh

Chong Mei Chin

Kajian ini dijalankan dengan tujuan untuk mengaji hubungan di antara latihan pegurusan kualiti (daya pemimpin, latihan, kebudayaan bekerja, berterusan perbaikan) dan kesan-kesannya terhadap prestasi organisasi. Sejumlah 140set soalan selidik telah disebarkan ke Industri Kecil Sederhana (IKS) yang berada di kawasan Kuching. Walaubagaimanapun cuma 52.14% iaitu 73 set soalan selidik yang dikumpul balik. Data-data yang dikumpul dan dianalisiskan melalui perkakas ukuran seperti Frequency, Factor analysis, Reliability, Pearson Correlation Coefficient, Regression, Means and Standard Deviation. Keputusan kajian ini menunjukkan kewujudan hubungang yang kuat di antara kebudayaan bekerja dan berterusan perbaikan dengan prestasi organisasi. Manakala, hubungan yang lemah wujud di antara daya pemimpin dan latihan dengan prestasi organisasi.

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Chapter 1

Introduction

1.1 Background

Total quality management (TQM) was introduced in the Industrial of American Corporation since 1920-an. During 1950's TQM was carry out by the managers corporate in Japan and become more famous during early 1980's. In the mid-1980s, TQM was introduced, most particularly Deming, Juran and Kaoru Ishikawa (Hackman & Wagemenn, 1995). TQM is a concept that fosters continuous improvement in an organization and method focus on meeting customer requirement and expectation.

To obtain competitive advantage and enhance quality performance in organization, quality management plays a dominant role in every industry sector especially for small and medium-sized companies. Many types of techniques use to establish and improve quality environment in an organization such as TQM, JIT, ISO, Kaizen, 5-S and so on. Osada developed 5-S in the early 1980s and it has been widely practiced in many Japanese firms (Ho, Cicmil, & Fung, 1995).

By applying among these programs, the benefits that can be obtained including increasing the quality of product and services, improvement in quality and performance, low-cost of production, employees exposure to new ideas and satisfy the customers. Many developing countries such as Taiwan and Saudi Arabia have embraced quality management practices in order to improve their productivity and

competitiveness (Bayazit, 2003). Therefore, in order to be able to achieve the goals, the Malaysian industries are encouraged to adopt Total Quality Management. However, there are some difficulties when implementing TQM. Some previous study reported that more than half of the Malaysia companies examined that they had adopted their company-owned model (Agus & Abdullah, 2000).

1.1.1 The Malaysia Scenario

The services of promotional bodies in Malaysia such as NPC (the National Productivity Corporation) was established and act as an important role to enhance the productivity and quality of the industries in Malaysia toward achieving performance excellence through certification of productivity, quality systems and practices as well as accreditation of training, auditing and consultancy services (Productivity Report 2007, 2008). The implementation of productivity and quality management system that are introduced by NPC including TQM (Total Quality Management), TPM(Total Productive Maintenance), QCC(Quality Control Circle), Six-Sigma, ISO Quality Management System, and Benchmarking.

However, the concepts of TQM are relatively new to Malaysian industries (Idris, McEwan, & Belavendram, 1996). In today's increasingly competitive market, there are greater competitions than ever. It is difficult for those small and medium-sized industries growths and survives without providing high quality products or services. Researchers had explored that more than 80 percent of the total manufacturing establishments in Malaysia, 88 percent within the total were small-scale enterprises and 12 percent belonged to the medium scale enterprises (Sohail & Teo, 2003).

While, only a small number of the development SMEs in Malaysia be found they are able to apply quality management effectively (Idris, McEwan, & Belavendram, 1996). Therefore, small and medium-sized industries in Malaysia are encouraged to implement TQM practices in order to gain competitiveness and able to compete in competitive market.

Besides, Standard and Industrial Research Institute Malaysia (SIRIM) was given the task to promoting ISO 9000 and TQM among Malaysia Industries while in 1987, ISO 9000 family of quality standard was launched in Malaysia (Idris, McEwan, & Belavendram, 1996). There is significant differences performance between certified and non-certified firms based on testing the mean differences between firm with and without ISO 9000 (Sohail & Teo, 2003). Thus, the result represent that ISO 9000 certification have a dominant role in organization performance to contribute high quality of performance and generate a competitiveness advantages. In 1990s, TQM companies called as “SIRIMEX”, or SIRIM Excellence model (Hamzah & Ho, 1994). This model provides systematic improvement opportunity for firms, which are committed to better satisfying customer through TQM (Hamzah & Ho, 1994; Sohail & Teo, 2003). The objectives of SIRIM not only focus on improving the products and services quality but also meet the demand of export market. In the other hand, one of Malaysia vision is enhance the productivity and quality of the country toward achieving a higher national economic growth especially in year 2020.

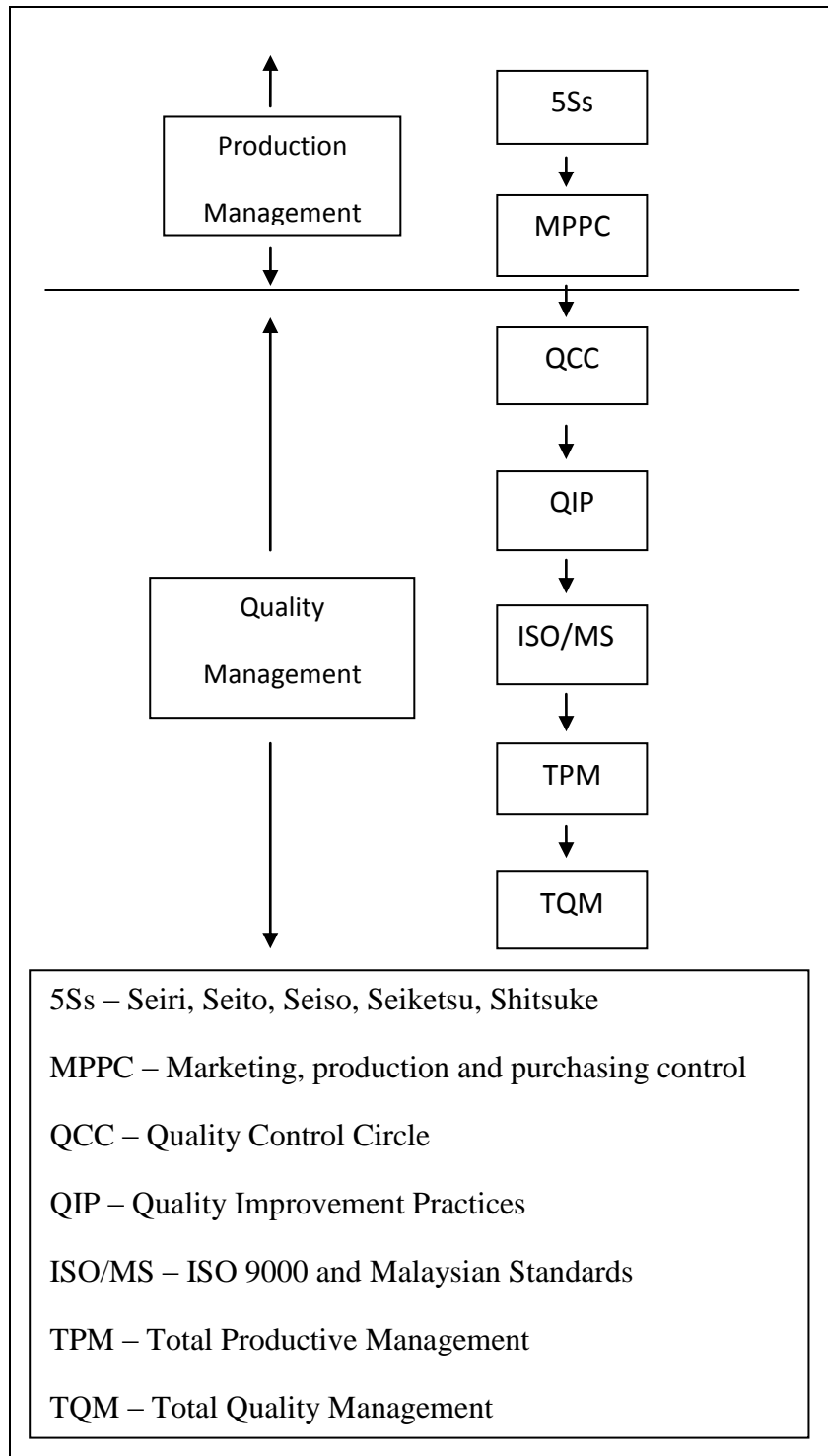


Figure 1.1: SIRIMEX Model (Hamzah & Ho, 1994)

Figure 1.1 explained about the SIRIMEX model, there are some other quality activities that have to go through before reaching the TQM level. Each of the quality activities performs different responsibility in organization performance. All of the quality activities in SIRIMEX model have strong foundation for TQM implementation. There have been numerous past researchers, which have confirmed a positive relationship between TQM and performance (Easton & Jarrell, 1998; Hendricks & Singhal, 1997; Brah, Lee, & Rao, 2002; Kaynak, 2003; Terziovski & Samson, 1999). However, some studies reported negative relationship between TQM and performance (McCabe & Wilkinson, 1998; Yeung & Chan, 1998).

Some past researchers reported that many companies use the ISO 9000 certification actually as a stepping-stone toward TQM (Gotzamani & Tsiotras, 2002). On the other hand, numerous researchers have supporting the idea starting with ISO 9000 certification as first step toward TQM (Bradley, 1994) and some other preferring to focus on TQM (Binney, 1992). While, others believe that TQM activities will more or less automatically go behind ISO (Sheard, 1992). On the other hand, TQM has sited by TQM companies as an important initiative after achieving ISO 9000 (Idris, McEwan, & Belavendram, 1996). ISO 9000 have concluded as a logical and practical step toward achieving TQM (Idris et al., 1996).

1.2 Problem Statement

Total Quality Management(TQM) is a strategy for variety types of company use to manage and continuous improvement on organization performance. By implementing TQM practices, it help to improve organization performance, enhancement productivity, improving product and services quality. In the long run, it can help the companies which is implement TQM practices reduces cost, reduce error, increase sales, increases profit and satisfies customer need. While TQM become crucial after some organizations had successfully implemting TQM.

Many researchers had explored the relationship between TQM practices and oraganization performance in different organization and different country. However, many failure experience also arise by implementing TQM (Ahire, Golhar, & Waller, 1996). The failure experience consists of failure to measure quality, low quality standard, lack of incentive for employee consistently to provide quality goods and services, insufficient commitment by management to implementing quality (Masters, 1996; Tatikonda & Tatikonda, 1996; Radovilsky, 1996; Nwabueze, 2001). Besides, a long period have to take to implement TQM to be successfully and effectively. This is because there are certain barriers occur that contribute to slow down the process of implement TQM. For example: process are not analyse, top management is not fully committed to the TQM programme, system are weak and so on (Sadgrove, 1995).

However, no precise data available to measure the degree of the importance of TQM practices on organization performance. Thus, in this study it is important to identify

the impacts of quality management practices on the organization performance at Kuching.

1.3 Research Objectives

1.3.1 General Objective

Since the quality management significant for organization continuous improvement in product and services quality to achieving customer expectation and lead to better organization performance, the objective in this study is looks for the impact of quality management practices on organization performance.

1.3.2 Specific objective

- I. To identify the impact of leadership on organization performance.
- II. To identify the impact of continuous improvement on organization performance.
- III. To identify the impact of work cultural on organization performance.
- IV. To identify the impact of training on organization performance.

1.4 Research Question

- I. What is the impact of leadership on organization performance?
- II. What is the impact of continuous improvement on organization performance?
- III. What is the impact of work culture on organization performance?
- IV. What is the impact of training on organization performance?

1.5 Definition of Key Term

- I. **Total Quality Management (TQM)** is a set of practices for organization to improve competitiveness, effectiveness; efficiency and flexibility to meet customer requirement and expectation (McNamara, 1997-2008)
- II. **ISO** stands for the International Organization for Standardization, an international standard-setting body composed of representatives from national standard bodies (Productivity Report 2007, 2008).
- III. **Leadership** defines as the most important person in organization to establish organization goals, objective, strategies, and project a shared-vision of the future. Hold fully responsible to make decision that affect everyone in the organization (McNamara, 1997-2008). However, democratic leadership will be use in this research.
- IV. **Continuous improvement** defined as the institution to do improvement continuously in the organization's processes, removing unnecessary activities and variation (McNamara, 1997-2008).
- V. **Organization Culture (working culture)** is defined as the values, beliefs, and norm that are understood and accepted by the members of the organization (Berces & Hegyi, 2001). Besides, it also condition for groups of organized community work for development in

organization and encompass all learned and shared explicit, assumptions, belief, knowledge, norms and value (McNamara, 1997-2008).

- VI. **Training** defines as activity providing necessary skills, knowledge, and instruction to improve performance of members in the organization (McNamara, 1997-2008).

1.6 Significance of the Study

Preliminary studies have proved that an excellent quality management practices leads to better organization performance. While researchers had explored five TQM principles are important to be apply to leads better performance. It consists of focused on customer satisfaction, do it right first time, constantly improve, educate and train the staff and do work together (Sadgrove, 1995). Previous empirical studies have indicated a strong relationship was build between implementation of TQM practices and organization. In the other hand, some past researchers reported that ISO 9000 certification contribute to a higher organization performance. To successful implementing TQM, leadership has a greater effect on organization performance because everyone in the organization obeys orders from top management.

The result of this study will contribute the knowledge about the impact of quality management practices on organization performance and show the degree of importance among quality management practices toward organization performance.

The finding of this study is useful for the organizations who have participated in this research. The top management of the organization can apply the finding to compare on the quality management practices that which have most crucial role in organization performance. The finding also provide an idea for top management make an improvement on TQM approach or search for suitable TQM approach to increase the organization performance quality. Besides, this study also gives awareness for non-TQM companies about the effectiveness of quality management practices toward organization performance. In the long run, this study is useful for future researchers, top management of the organization use as review series and as a part of periodically for public.

1.7 Scope of the Study

The objective of this study is to find out the impact of quality management practices on organization performance. This study is useful to improve organization performance quality. Kuching has been chosen as the scope of this study. Kuching is the administrative capital of Sarawak with the population of about 1/2 million. However, the target respondents for this research are the firms or industries sectors located at Kuching area.

The questionnaire survey will be distributed to the organizations that are located at Kuching and the most important criterion is the organization had already adopted quality management practice. Besides, the organizations can consists of various types of industry sector whether it is big or small medium-size companies. The

quality management programs consist of 5S, QCC, TPM, MPPC, QIP and ISO. While each company has different names for their programs, therefore any company's programs combine with the idea and concept considered as TQM program.

1.8 Organization of Chapters

This study consists of five chapter includes with introduction, literature review, methodology, result, discussion and conclusion. The introduction will briefly introduce the background, problem and objective of the study. Literature review will be focus on summarizes of the evidence of previous studies that are similar with this study. Besides, theoretical framework and hypotheses of the study will be also development in this chapter. Methodology will be present the way of this research is conducted. Results and findings will be presented and followed by analysis of the results. Discussion of findings will summarize the discussion and conclusion of the study.

Chapter 2

Literature Review

2.1 Introduction

This chapter summarizes the evidence of previous studies that are similar with this study. The literature review contains of the impact of quality management practices on organization performance. The quality management practices consist of leadership, training, continuous improvement and culture will be discussed in this chapter. Besides, the hypotheses are also developed in this chapter.

2.2 Total Quality Management

Total quality management (TQM) defined as a philosophy and a set of principle that present the foundation of a continuously improving organization (Quek & Yusof, 2003). However, different researchers have different understanding or definition regarding the TQM. There have been numerous past researchers developed their own definitions TQM depend on their understanding.

The common purpose of organizations implementation TQM are to meet customer demand, promote continuous improvement and create competitive advantage. According to Walsh, Hughes and Maddox (2007), the concepts and techniques of TQM use to ensure an organization can meet the needs of its customers on continuous basis. Besides, an organization must link the concept of continuous improvement to the technique of value improvement to perform effectively (Walsh

et al., 2007). However, TQM is not as easy solution to organizational problems, but rather an approach to managing an organization that is based around continuous improvement and cultural change (Kanji & Asher, 1996). Previous empirical study evidence that TQM-adopting firm gain more competitive advantages than non-TQM adopting firm (Brah, Lee, & Rao, 2002). According to Quek and Yusof (2003), they have classified TQM based on six areas, which are Management leadership and commitment, Continuous improvement, Total customer satisfaction, Employee involvement, Training and education and Reward and recognition.

Different companies have different ways conduct to increase the effectiveness of TQM programs. This is because differ among firms and industries have different vision, mission and objective to achieve. However, numerous past researchers which have found that many organization who are ever adopted quality management practices agrees on the leadership and top management have a greater influence to leads the better performance in organization. According to Harari (1993), a quality program succeeds when (1) A CEO/ top management have actively commitment to implement TQM, (2) Employees are involved in all aspects, (3) Manager demonstrate a willingness to change everything, (4) Company focuses on the need and expectation of its customer as primary objective. Besides, Harari (1993) also recommends three steps toward successfully implementing TQM such as provide precise and understanding TQM information to subordinates, ensure employees at all levels to understand the company's mission and set impossibly high standards in order to request employees to find way to achieve.