

# Impact of Total Quality Management on the Performance of Service Organizations in Pakistan

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## Abstract

The objective of this paper is to evaluate the role of total quality management in service sector of Pakistan. First of all total quality management was implemented in manufacturing organizations and the results were outstanding in manufacturing organizations. Now a days, in service sector there are many service providers that provide the same type of services. But customer prefer the service provider that provide the best service. For data collection, interviews were conducted from the top-level management of hospitals, banks, telecommunication companies, educational organizations and airlines. Findings of the research showed a positive relationship between TQM and performance of service organizations in Pakistan. This research paper is useful for improving quality of output in service organizations and it will also serve as a basis for future research.

**Keywords:** Total Quality Management, Service Sector, Organizational performance

## Introduction:

Service sector is an important segment of business world. First of all the concept of quality was introduced in manufacturing concerns but as the time passes the concept of service quality also emerged. There is positive relationship between the use of TQM and organization performance. Organization performance refers to various factors such as output, earnings, competitive advantage, reduction in expenditures, reduction in errors, minimized scrap level, and stabilized business in service sector of Pakistan (Sajjad & Amjad, 2012).

Due to globalization, wide use and availability of modern technology, many organizations are providing the same type of services in a single market. So customer prefers the best alternatives that provide better quality. TQM is the only tool that can improve the quality of service because it is a continuous improvement process and customer feedback is used to improve the quality of service more effectively and efficiently. TQM is the philosophy of management that tends to link all organizational functions to focus on meeting the requirements of customers and main objective of organization (Hashmi, 2000 & 2004).

TQM is equally beneficial for service organizations as it is for manufacturing organizations. Over the previous 20 years, TQM has become intensively used management tool and is considered as a key word in the management practices. Quality practitioners and managers considered it as a changed management quality approach (Arumugam *et al.*, 2009). TQM plays an important role in development of management practices (Prajogo and Sohal, 2003;

Hoang *et al.*, 2006). TQM is helpful for both individuals and collective behavior to satisfy customers through continuous improvement (Claver, Gasco, Llopis, & Gonzalez, 2001). U. S and Japanese gurus focused on the use of TQM in manufacturing sector as their primary work and secondary attention was given to adoptability of TQM in service sector but still there were many other people who were conducting research on use of TQM in service industry (Sureshchandra *et al.*, 2002; Sit *et al.*, 2009). There are some service sectors such as telecommunication, hospitals, banks, educational institutes and hotel organizations which are using TQM philosophy to improve the quality of service.

In banks and all other financial institutions up to date and quick service quality is highly demanded by customers. According to McCabe (1994), now a day, more than 90% of the banks, buildings and insurance companies are adopting some form of quality improvement tool. TQM philosophy can be implemented in all over the service industry especially in banking sector where the customer is treated as a king. In service sector, as compared to manufacturing industry, customer is more sensitive about the quality of service and delivery of service because customer is directly connected with service provider (Safakli, 2004). There is significant and positive relationship between quality of internal services and organizational performance of commercial banks (Vanniarajan, 2007). Customer satisfaction is highly linked with quality of service in banking sector (Joseph, 2003). Nowadays banks are aware about the reality that their success and existence in globalized and highly competitive circumstances is only through providing best quality service for their customers (Wang&Hui, 2003). In telecommunication sector, TQM has a significant role for improving the efficiency of both technical and human resources. In Pakistan, there are many telecom corporations which are working with really tough competition. Corporation that provides better service will get success among other competitors and TQM is the best tool that can be used for performance improvement. In public health department of Pakistan, there came a revolution with the arrival and use of modern technology. However the efficiency of this department and service quality can be improved more effectively and efficiently if TQM philosophy is implemented in this sector.

### **Literature Review**

*American federal* office of management budget circular has given the baseline definition of TQM as “TQM is a total organization approach for meeting customer needs and expectations that involves all managers and employees in using quantitative techniques to improve continuously the organization processes, products and services”. According to modern definition, TQM is not just a technical system; it is also associated with the organization itself, which is also a social system. Organizations are not only social system but also a human system (Pike and Barnes, 1996). According to Oakland (1993) TQM is an attempt to improve whole organizations effectiveness, competitiveness and structure. TQM is a philosophy for continuously improving the quality of goods and services delivered through the involvement of individuals at all levels and functions of organization (pfau,1989). Too much literature review of the past studies have examined what constitutes TQM and the key practices for the success of TQM (sila and ebrahimpura 2002; Saraph *et al.*, 1989; Antony *et al.*, 2002; Sureshchandar *et al.*, 2002; Al-Marri *et al.*, 2007; Zhang *et al.*, 2000). Up till now, study has recommended a common set of practices for efficient implementation of TQM. But some of the quality award models such as Kanji Business model, European Quality Award (EQA 1994), the Deming prize (1996), Malcolm Baldrige and National Quality Award (MBNQA,2005) which provide a useful

benchmark framework for industries and help to implement TQM and evaluate the results of business performance (Talib et al,2010). Harsan and Kerr (2003) examined the relationship between TQM practices and performance of service organizations and they concluded that TQM practices like top management commitment, employee involvement, training, supplier quality, quality costs, service design, quality techniques, benchmarking and customer satisfaction have positive relationship with productivity, and quality performance. Prajo (2005) have conducted a comparative study to analyze the impact of TQM practices and quality performance between Australian services and manufacturing firms in which he reported that there exists no significant differences on the impact of TQM practices and quality performance between given two sectors.

An empirical study within Australian organizations described that TQM practices and quality performance have a strong positive relationship (Prajo and Brown,2004). Talib et al (2010) states that implementation of TQM improves the performance of the company. Many researchers have different findings about the impact of TQM tools and its implementation. A number of researches concluded that TQM application has a positive impact on the organizations performance but some researchers stated that it does not have impact on firms business performance (sajjad and amjad ,2012).

Benchmarking and quality assurance had strong positive effect on organization performance of the telecom companies of Pakistan and they play vital role into the success of an organization. This means that there is positive relationship between TQM and organization's quality benefits. If TQM practices are implemented effectively more quality benefits will be achieved (sajjad and amjad, 2012). The significance of TQM in manufacturing has motivated to a number of organizations to see its benefits and impact on service organizations performance (Talib et al, 2012). After the great success of TQM in manufacturing organizations, service organizations have started to follow it. For applying TQM in service sector, it is necessary to decide how to evaluate the quality of service. It can be evaluated through cost, flexibility, acquirability, totality and response time. The study shows that there is a strong rational relationship between all TQM practices and the organization performance in Jordanian universities measured in productivity profitability.

Survey of manufacturing organizations in Georgia showed these benefits of TQM; improved quality, employee participation, teamwork, working relationships, customer satisfaction, employee satisfaction, productivity, communication, profitability, and market share (Christopher et al.). A ten year study of Hendricks and Singhai shows that TQM is a good investment. They selected six hundred publicly traded organizations which have won awards for effective implementation of TQM. They also selected a control group of same size and industry to the award winners. They compared the performance of both groups during the five years after winning the award and five years prior to the award. The performance of five years prior to the award was shown no difference. But the period of five years after the award has shown a big difference.

Description	Control Group	Award Growth
operating income	43%	91%
Increase in sales	32%	69%
Increase in Total Assets	37%	79%

The stock price performance for award group was 114% and for the S&P was 80 % ( Hendricks and Singhai). One of the studies about telecom companies shows these findings; first TQM

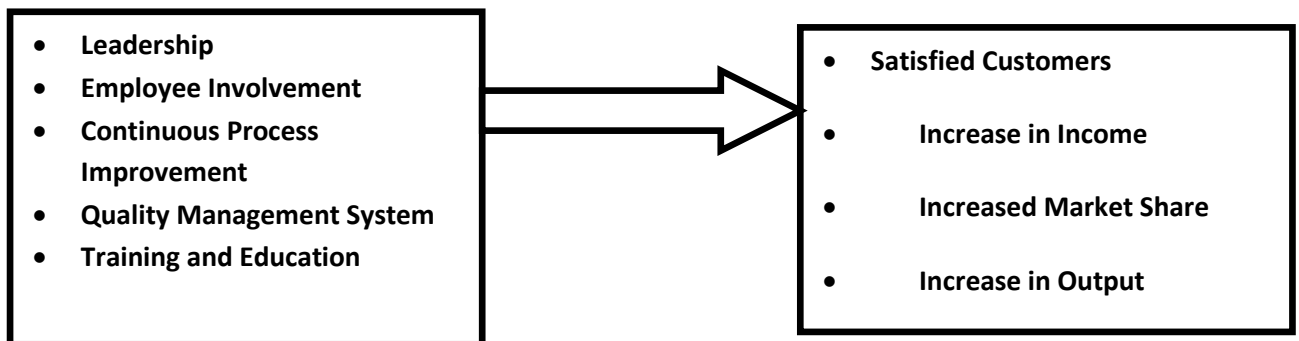
implementation has positive impact on overall business performance, second benchmarking is one of the major factors to determine organizational overall business performance, third the findings show that it is not necessary that all TQM factors to be present to ensure the success of overall business performance and TQM program. Like commitment of top management was very low in these findings but it had less impact on quality benefits and organizations performance of telecom organizations of Pakistan (sajjad and amjad ,2012). Effective implementation of TQM can continuously improve the quality and business performance. (Saravanan&Rao ,2007).

Miyagawa and Yoshida (2005) reported that TQM is an appropriate way to improve business performance regardless of the concern that where the organization is operating as long as TQM practices is implemented effectively.

**Conceptual Model:**

Implementation of TQM practices

Organizational Performance



**Research Methodology**

This is a qualitative research with the aim of predicting the impact of TQM practices on performance of service organizations. Gilmore and Carson (1996) state that qualitative research methods are the best fitted with the nature of service industry. Researchers considered more often to this method, because it provides more qualitative information, in more depth, better representation, greater efficiency and greater value (Palmerino, 1999). The population of this research is consisted of all organizations of service industry in Pakistan. For our research, we have conducted semi structured interviews as a data collection tool. This questionnaire is consisted of questions about the use of TQM and impact of TQM on performance of service organizations. For this purpose we divided both of the broad segments into narrow segments by exploring the elements of TQM (Leadership, Employee’s involvement, Quality management System, Continuous management System and Training and education of employees) and elements of organizational performance (Increase in output, customer satisfaction, increase in income and increase in market share). After exploring the elements of TQM and organizational performance, we prepared questions to measure these variables in our targeted service organizations.

After preparing questions about use of TQM and its impact on organizations performance, we molded these questions to be understandable for all level of managers according to their demographics. Our questions were multipurpose; they were supporting our research topic and our theoretical framework.

For our research we selected a sample of 15 service organizations from telecommunication, hospitality, banking and airline industries in Pakistan. So we selected these organizations from both private and public sectors for more reliable results and to enhance the scope of our

research.

Then thirty managers, two from each organization, from these organizations were interviewed. Interestingly the demographics such as age, job experience and educational background of each manager is different from each other, this thing is also helpful to reduce biasness in findings.

To get prompt and accurate feedback from the managers selected for interview, we scheduled the appointments and fix the time, date and place of interview. We clarified the agenda and contents of the interview with the managers being interviewed at the time of fixing schedule of interview for better understanding of topic under discussion. We also communicated the purpose of getting this information to the relevant managers so they can frankly and clearly explore the information without any threat of misusing the data provided by them.

All the interviews took place in the offices of managers being interviewed and each manager responded very well. We took note pad with us to write down all the important information gained during discussions with managers so that we can properly use this information to analyze all interviews to reach at findings of our research topic.

After completing interviews of relevant people we analyzed the all relevant discussion points to come up with a comprehensive conclusion.

### **Findings**

All managers being interviewed were agreed on the use of Total Quality Management in service organizations and positive impact of TQM on performance of organization. All the aspects of TQM are being utilized in service organizations. Leaders are playing a vital role in service quality improvements, employees are involved in solving the problems, most of the organizations have dynamic organization structure to manage the quality, modern technology is being used as a tool for continuous process improvements. Also the performance appraisal, reward and punishment systems are being used as a tool of Quality Management System and training and education is provided to employees for better understanding of these systems. These aspects of TQM are very useful in increasing output, customer satisfaction level, the number of customers, increase in profit and increase in market share. Any organization cannot move toward progress without implementing the Total Quality Management techniques. According to all the interviewees nothing is possible if leaders are not interested in their jobs. Employees need motivation and directions from the leaders for doing their jobs. Employees also wants their participation in decision making, they require recognition from their leaders on their performance. Continuous improvements in process is necessary in this competitive environment because there are number of organizations providing same type of services and customer focuses on quality of these services. The organization that use up to date technology may provide better services to customers and when customers will be satisfied company will grow and there will be increase in market share. Training and education is also very important segment for improving the efficiency of work force in an organization. All of the interviewees were agreed on the use of training and education programs for employees and declared it as a compulsory part of employees' efficiency improvements and use of modern technology is also not possible without training and education. So we concluded that TQM is implemented in service organization in Pakistan and it has positive impact on performance of service organizations.

## **Discussion**

In our research we mainly focused on the TQM techniques ( Leadership, Employees involvement, Continuous process improvements, Quality management System, Training and Education of employees) and their impact on performance of organization. Each of the technique has impact on performance of service organizations. According to the managers participated in interviews, following are the TQM techniques and their impact on performance on their respective service organization:

More than 90% of people declared leadership as main influencing tool for doing job with maximum efficiency. According to them leaders provide necessary guidelines to employees and leaders took responsibility for efficiency and effectiveness of work. For this purpose reward and

Employees are involved in decision making and day to day problem solving in most of the organization under observation. Managers were frank with their employees and the suggestions of employees were highly appreciated by the management. This thing motivates the employees to work with more interest and problems are detected timely. On this way quality and quantity of work is improved due to employee's interest in job. Continuous process improvement is very important tool to meet the requirements of customers in modern era. For this purpose all organizations are utilizing modern technology and improved systems. All the managers were focusing in using modern technology, they expressed that the structure of their organizations is dynamic. They make changes according to needs of time. Continuous process improvement is necessary for customer satisfaction and cost efficiency that leads to increase in customers, profit and market share. Corrective measures are taken in case of inefficiency of output. Structure of organizations supports the activities performed by employees, especially in banking sector organization structure is developed so that customers and employees feel ease by using and providing services. Organization structure was very helpful for efficient work in all other organizations. Training is provided to new employees in each organization to perform error free services. With the up gradation of technology employees are educated to use this technology. To increase the efficiency of employees special courses are arranged by management and employees are motivated and more committed with their jobs due to top level management involvement in employees training and education. All these techniques are positively linked with organization performance. There is increase in output, decrease in cost, customers are satisfied, there is increase in customers and growth in market share.

## **Conclusion**

Above findings indicates implication of TQM and its effectiveness in service organizations. All the managers are using TQM irrespective of their field of work. There were different demographics of interviewees but all responded in the same way. It shows the general use of TQM. There is no need of specific field of education for managers to use TQM techniques and there is no need of specific sector to apply these techniques. TQM is equally applicable in manufacturing and service organizations and service organizations also can improve their performance by using TQM techniques. TQM is applicable in manufacturing, services, public and private sectors. There are no limitations in using TQM for any field of business and the techniques of TQM provide positive results in organizational performance.

Limitations:

This research could enhance by involving more organizations in survey. Due to shortage of resources and time we have included small number of organizations however the selection of



organizations for interviews from all the relevant sectors and a number of cities was helpful to enhance the scope of our research. We have included small, large, public and private organizations in our research.

Managerial Implications:

This research is helpful for managers to focus on TQM elements for improving the standard of performance in their organizations. Managers can:

- Focus on customer needs and modify their organization structure by using modern technology.
- Provide trainings to employees for using new technology.
- Involve employees in decision making and give them recognition for better performance.

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