

The Structural Relationships between TQM Factors and Organizational Performance in Indian Automobile Sectors

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Abstract—Total Quality Management (TQM) is sometimes referred as a management system in incessant change and consisting of values, methodology and tools, the plan of which is to increase external and internal customer satisfaction with a condensed amount of resources. Whether TQM improves the performance of companies has been talked about for several years. One way of working with TQM and its values, methodology and tools is to be relevant for and work with a quality reward. Today, there are global, national, regional, branch-wise and in-company quality awards.

Key Words: Total Quality Management (TQM), Quality performance, Service industry, Company performance, Performance indicator.

I. INTRODUCTION

The Indian automobile industries have emerged as a “sunrise sectors” in our Indian economy since its liberalization. This is a crucial period for growth of Indian automobile industries as a significant player in global scenario. It is imperative to accelerate and sustain growth of automobile sectors, it is necessary to keep efforts for coordinating, synergizing as well as steering to relevant participant in competitive market.

The purpose of this project is to assess whether and how working with quality awards affects the performance of organizations. This project with consists of an extended outline and one appended case study on this subject with different aim and methodologies. Study will wrap the benefits from in-company quality awards for the performance of units and the economic performance of quality award recipients compared with contenders and branch indices. The main conclusion of the project is to verify that working with quality awards affects financial performance positively if companies productively implement Total Quality Management, which is the case for quality award recipients.

II. RESEARCH PROBLEM

The structural relationship between TQM initiatives and better performance of the organization is often discussed. Some people maintain that TQM programmes are ineffective, see, for example, Eskildson (1994) and Harari (1997). Bergquist & Ramsing (1999) and Przasnyski & Tai (1999) argue that it is difficult to establish a relationship between TQM and better performance in companies. Besides organizations that apply for national or regional quality awards, there are also some firms in countries that work with in-company quality awards. In addition, there are also companies that have ceased or are ceasing their in-company quality awards. In spite of the work on in-company quality

awards carried out in organizations, no learning has been performed, according to extensive literature studies, with the aim of understanding how units experience and are affected by working with in-company quality awards. Nor, to the knowledge of the present author, have the effects of the work connected with in-company quality awards on the performance of units within companies been studied. One issue in this context is whether units that apply for and work with in-company quality awards experience improved performance in comparison with units that do not apply for and work with in-company quality awards.

Hence, the main difficulty that this project sets out to light up is whether companies benefit from working with quality awards or not. Does working with quality awards result in better performance in companies, or are the things spent on quality awards an unsuitable investment? Do companies in India that successfully implement TQM outperform other companies which have not made such an implementation? Do units in our country that apply for and work with in-company quality awards break units that do not apply for and work with in-company quality awards?

III. RESEARCH OBJECTIVES

1. To study the effects of a successful implementation of TQM on the performance of company
2. To study the structural relationship between TQM and Performance factors of the company
3. To study the effects of working with in-company quality awards on the performance of units in the company
4. To study the effect of implementation of TQM in cost of poor quality and financial benefits.

IV. LITERATURE REVIEW

The whole essence of this research is to get an understanding of the impact of TQM on the performance of companies. In order to get complete understanding of the theory and practice, various studies will be analyzed and reviewed. Anderson and Sohal studied the impact of TQM and related improvement strategies on performance of companies by using Quality Awards framework to determine the structural relationship between TQM practices and business performance. They observed a positive correlation between TQM practices and organizational performance of the companies, reiterating the need for effective implementation of the TQM practices along with strategic decision making which will ultimately yield long-term fruitful results for small and medium enterprises.

Vincent K. Chong., Michael J. Rundus explored the impact of TQM and market competition on organizational performance by studying filled acceptable questionnaires from 89 managers from manufacturing firms. Results showed that there is a positive correlation between market competition and TQM practices of customer focus, product design and organizational performance. Lee and Kelce investigated the existing status of TQM practices in 112 companies (manufacturing firms) of China and its impact on their performance. It was found that manufacturing process of these small firms was not an obstacle to the implementation of TQM, instead it was the size of firm which posed as a threat for implementation. Research showed that majority of the firms were new to TQM practices and that it was initiated by their top management. A positive influence of TQM was observed on performance as waste, inventory and costs was reduced, and an increase in sales was observed. Impeding factors in TQM implementation were lack of top management commitment and lack of knowledge about TQM implementation, along with lack of education and training and inadequate process control techniques.

In the same manner, performance of SMEs was observed in Malaysia by Sohail and Hoong [12], in India by Mahadevappa, B. and Koreshwar, G. [13], in Portugal by Sousa, Aspinwall and Rodrigues [14], in Spain by Bou, and Beltrán [15] and in Turkey by Demirbag and Zaim [16]. All researchers were of the view that ISO certification should be acquired by the SMEs and ISO quality management systems should be integrated with TQM for continuous improvement of the overall business performance. Jamshed H. Khan proposed that for successful implementation of TQM in Pakistani organizations commitment of both top and middle level management is compulsory, that a right approach towards TQM implementation should be made, that TQM tools should be used step by step and that workers fears should be removed and a reward system should be introduced for better performance. Hayat M. Awan studied the impact of ISO registration in sports industry of Pakistan.

He also recommended that most critical factor in successful implementation of TQM is top management commitment and that necessary training of both upper and lower management is necessary along with workers through consultants. Benefits gained by these organizations were increase in sales (exports), increased customer satisfaction, better utilization of human and material resources and reduction in costs and wastage.

V. RESEARCH APPROACH

The term “methodology” focuses on the best means for gaining knowledge about the world, see Denzin & Lincoln (2000). According to Taylor & Bogdan (1984), methodology refers to the way in which we approach problems and seek answers. Before starting a study, one can, for example, define what the objective of the research is going to be, and whether the research is going to be mainly positive or negative, inductive or deductive, quantitative or qualitative. These issues are discussed below.

VI. GOALS OF RESEARCH

Dane (1990) claims that the immediate goals of research - exploration, description, prediction, explanation and action – provide us with a strategy for figuring out which questions to ask and which answers to seek. The purpose of this dissertation is to evaluate whether and describe how working with quality awards affects the performance of companies. Descriptive research involves examining a phenomenon to define it more fully or to differentiate it from other phenomena, according to Dane (1990), who states further that descriptive research involves attempting to define or measure a particular phenomenon, usually by attempting to estimate the strength or intensity of a behavior or the relationship between two behaviors.

Phillips & Pugh (2000) argue that in descriptive research one is trying to find the limits of previously proposed generalizations. The relationship between working with quality awards and the performance of companies has not been studied thoroughly from a Swedish perspective.

Hence, this dissertation is trying to find the limits of previously proposed generalizations; i.e. to evaluate whether a successful implementation of TQM also improves the financial performance of Indian companies. Moreover, in-company quality awards have not been of great research interest. Hence, in this dissertation, in-company quality awards will be illuminated in order to evaluate whether previously proposed generalizations about quality awards are also true of in- company quality awards.

VII. THEORETICAL FRAME WORK

A. *Quality*

In order to keep a competitive advantage on the market, organizations have for many years focused on the quality of their products. Different initiatives to increase the quality of products and services have evolved during the years. The early focus, at the beginning of the twentieth century, was on inspection, which included checking that the manufactured products met the specifications. During the past few decades the focus in organizations has shifted from inspection to quality control of products. Through quality control organizations are trying to identify, directly in the process, flaws which can be corrected before producing too many products that do not meet the specifications. In the evolution of the concept of quality, the focus on quality has moved even further back in the process.

B. *Total Quality Management (TQM)*

Different definitions of TQM have been presented over the years. Some of these definitions are presented below. Oakland (1993) states that TQM is “an approach for improving the competitiveness, effectiveness and flexibility of a whole organization”. Dale (1999) defines TQM, in accordance with ISO 8402, as “a management approach of an organization, centered on quality, based on the participation of all its members and aiming at long-term success through customer satisfaction, and benefits to all members of the organization and to society”. Dale (1999) states further that tools and methodologies are used in TQM in order to improve

the organization continuously. Shiba et al. (1993) argue that “Total Quality Management (TQM) is an evolving system of practices, tools, and training methods for managing companies to provide customer satisfaction in a rapidly changing world”. Hellsten & Klefsjö (2000) developed the definition of TQM used in this dissertation.

C. Values

An organization’s core values are the basis of its culture; see Hellsten & Klefsjö (2000). The core values should not be considered to stand alone, but rather they should be looked upon as being connected to each other. The values may vary a little between different organizations and over time, according to Hellsten & Klefsjö (2000). Moreover, different values are included in the concept of TQM by different authors, as well as in different quality awards. Since core values are an essential part of the work connected with quality awards, some of the most recognized core values of TQM are very briefly presented below, see, for example, Bergman & Klefsjö (1994) and Hellsten & Klefsjö (2000).

- The core values are presented below.
- Focus on customers
- Base decisions on fact
- Focus on processes
- Improve continuously
- Let everybody be committed
- Top management commitment

Some positive developments concerning organization’s performance can be recognized for the award recipients in comparison with the branch indices and the competitors. In particular, the award recipients outperform the branch indices and the competitors with regard to a number of indicators during the post implementation period. For example, the award recipients show a significantly higher return on assets than their competitors and the branch indices during the post implementation period. Moreover, the indicators concerning change in sales change in number of employees, return on sales and return on assets show that the award recipients outperform the branch indices significantly during the post implementation period. Further, an increased comprehensive view of the business, a higher degree of contribution by everyone and the beginning of systematic improvement work is other positive effects, according to the award applicants. The main criticism of the work connected with quality awards concerns the resource-demanding tasks that are mandatory when working with in-company quality awards.

VIII. CONCLUSION

The main objective of this dissertation is to ascertain that with quality awards affects performance positively if companies successfully implement TQM, such as in the case for award recipients. Moreover, the dissertation is expected to be able to show strong evidence proving that the performance of units that works with in-company quality awards improves.

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