Total Quality Management (Tqm) And Organizational Performance: A Dual Examination Of Quality And Financial Impacts

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Abstract

"Total quality management", or TQM, is commonly regarded as a valuable instrument in the realm of quality oversight, serving various strategic, tactical, alongside operational requirements. It comprises one of our most commonly used and well acknowledged methods for achieving business success, along with continued quality enhancement (CQI). There is a strong interest among industrial and service businesses in taking on this plan in order for safeguarding their lasting competitive edge. The current study intends to identify the relationship between TQM practices and thoroughly evaluate the immediate as well as collateral impact of these behaviors on the business operation of companies. Additionally, it seeks to emphasize the influence of TQM on their financial results.

The investigator used a mixture of both quantitative and qualitative methodologies in their study. Primary data collection involves surveys/ questionnaire with representatives from Organizations and secondary data collected through review of existing literature on relation between TQM practices and quality performance in organizations. Through a comprehensive examination of TQM practices, this study seeks to provide valuable insights for organizational leaders, practitioners, and scholars, ultimately contributing to a deeper understanding the impact of TQM on financial performance.

Keywords: **"**Total quality management", Financial performance, quality performance, organization.

Introduction

Over the last ten years, there has been a notable proliferation of “total quality management (TQM)” practices in both creating when the service businesses. Increased rivalry in marketplaces has forced manufacturing companies to look for an unfair advantage in their factory processes and methods. Experts have suggested that the use of TQM practices contributes synergistically to organizational performance (Cobb, 1993). Several studies have indicated that implementing TQM practices leads to a reduction in manufacturing process variance, the elimination of reworks and scraps, and an enhancement in overall quality performance (Daniel and Reitsperger (1991).

Numerous researchers have positioned TQM as a strategy to enhance effectiveness, flexibility, and competitiveness, aligning with the evolving demands of customers (Oakland, 1993). It has been suggested as an element of long-lasting competitive advantages for enterprises (Terziovski, 2006) and a way to attain superior performance promote a right-first-time mentality, execute helpful business solutions, and build contentment among customers as well as vendors (Mohanty and Behera, 1996). Most importantly, TQM is acknowledged as a driver for enhancing organizational performance by continually bettering organizational duties (Teh et al., 2009).

This paper carried with following objectives:

1. To highlight the relationship of “TQM practices on quality performance” of organization.
2. To analyse the impact of TQM practices on financial performance of organization.

Literature review

Organizations that adopt Total Quality Management (TQM) observe increased inventory turnover, facilitating the detection of scheduling and production issues “(Krajewski and Ritzman, 2001)”. This, in turn, fosters an environment of ongoing improvement in both processes and product quality “(Adam et al., 1997)”. The anticipated outcomes of these enhancements include reduced costs associated with scrap and rework, heightened productivity, and improved performance in terms of lead times. Consequently, it is reasonable to anticipate that enhanced inventory management will contribute to an overall improvement in quality performance.

Enhancements in quality performance have positive implications for Both finances and market results, and the existing body of research offers different explanations for these results. At first, when a company builds its track record for providing exceptional goods and services, the flexibility to satisfy demand may go down. As a result, the corporation may charge greater pricing and make more profits. (Shetty, 1988). Secondly, the improvement of product quality through waste reduction and enhanced efficiency contributes to an elevated returns on assets "(Handfield et al., 1998)", therefore increasing the total profit. Additionally, the decrease of work, reduced scrap, and boosted efficiency collectively led to a more cost-effective operational structure for the firm. This, in turn, empowers the company to potentially offer lower prices for its products and services without compromising profit margins if such a strategic approach is deemed beneficial.

Material Method

The researcher applied exploratory and analytical methodology in present study and study carried in both quantitative and qualitative approach. The study conducted primary through survey / questionnaire distributed in 5 selected organizations and 10 respondents from each were approached. Secondary data collection method was through the review of existing literature related to topic and to fulfil the objectives of study.

Result and analysis

"Relationship between TQM and Quality performance"

A significant amount of empirical evidence suggests that the adoption of "Total Quality Management (TQM)" improves the standard of performance of enterprises. This enhancement has been evaluated in different ways, indicating that the model for managing quality and specific techniques that forecast profitability may differ worldwide "(Arumugam et al., 2008)".

"Parzinger and Nath (2000)" examined the connection between TQM and the performance of software, finding that implementing TQM improves software quality, resulting in higher ratings from customers. "Hasan and Kerr (2003)" investigated the connection between TQM practices and business results in services companies. It was found that techniques for TQM, such as the highest levels determination, participation of staff members, training, quality from suppliers, cost of goods, service design, quality strategies, comparison, and satisfaction with customers, contribute to enhanced efficiency and quality achievements.

Prajogo and Brown (2004) carried out a practical investigation in Australian firms, uncovering a significant and favorable relation between TQM methods and quality achievements. Jeng (1998) studied ISO9000 certified firms in Taiwan and found that customer attention was the most influential practice for superior results out of the six activities analyzed.

Brah and Tee (2002) assessed quality results in enterprises in Singapore to investigate the connection between TQM concepts and company performance. It was discovered that implementing TQM results in excellent results with an excellent relationship. In a study comparing practices related to Total Quality Management as well as quality outcomes across Australian production and service organizations, Prajogo (2005) found that there were not any noteworthy variations in the status of many TQM procedures and the standard profitability with the two categories.

"Relation between TQM practices and financial performance of manufacturing companies".

Table:1.1 "Responses on impact of TQM on financial performance"

S.no	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	There is improvements in the organization's financial efficiency after adopting TQM practices	2	5	10	18	15
2.	TQM training programs been implemented to educate employees on quality management practices	1	4	8	20	17
3.	TQM practices contributed to reducing operational costs in your organization	3	6	12	15	14
4.	TQM practices led to a decrease in costs associated with rework, defects, or customer complaints	2	7	11	17	13
5.	The implementation of TQM affected the overall cost structure of your organization	1	5	9	18	17
6.	TQM practices have enhanced the organization's ability to meet customer needs, positively affecting financial outcomes	2	8	12	14	14
7.	TQM practices encourage employee involvement in identifying cost-saving opportunities	3	6	10	18	13

Source: Created by researcher

The table above shows the responses on impact of TQM practices on financial performance, following are the analysis of responses:

1. Financial efficiency after adopting TQM practices: The majority of respondents (18 + 15 = 33) either agree or strongly agree that there are improvements in the organization's financial efficiency after adopting TQM practices. This suggests a positive perception of TQM's impact on financial efficiency.

2. TQM training programs to educate employees on quality management practices: A significant number of respondents (20 + 17 = 37) agree or strongly agree that TQM training programs have been implemented. This indicates a positive acknowledgment of the existence of TQM training initiatives within the organization.

3. TQM practices contributed to reducing operational costs: A substantial portion of respondents (15 + 14 = 29) agree or strongly agree that TQM practices have contributed to

reducing operational costs. This implies a perceived positive impact of TQM on cost reduction.

4. TQM practices led to a decrease in costs associated with rework, defects, or customer complaints: The responses are distributed across categories, with a relatively higher count in the 'Agree' category. This suggests a mixed but generally positive perception that TQM practices have contributed to reducing costs associated with rework, defects, or customer complaints.

5. TQM affected the overall cost structure of your organization: A significant number of respondents (18 + 17 = 35) either agree or strongly agree that the implementation of TQM has affected the overall cost structure. This indicates a positive perception of TQM's impact on the organizational cost structure.

6. TQM practices have enhanced the organization's ability to meet customer needs, positively affecting financial outcomes: The responses are evenly distributed across categories, with a slightly higher count in the 'Neutral' and 'Agree' categories. This suggests a mixed perception regarding the impact of TQM practices on meeting customer needs and their subsequent positive effect on financial outcomes.

7. TQM practices encourage employee involvement in identifying cost-saving opportunities: A substantial portion of respondents (18 + 13 = 31) agree or strongly agree that TQM practices encourage employee involvement in identifying cost-saving opportunities. This suggests a positive view of TQM's role in fostering employee engagement in cost-saving initiatives.

Conclusion

In conclusion, a substantial body of empirical evidence consistently supports a mutually beneficial interaction between “Total Quality Management (TQM)” practices and enhanced quality performance across various organizational contexts. TQM implementation has been associated with improved software quality, heightened customer satisfaction, increased productivity, and a strong overall linkage with outstanding outcomes. The findings affirm the important function of TQM in fostering and sustaining high-quality standards within organizations. Additionally, the analysis of responses on TQM's impact on financial performance indicates an overall positive perception, with consensus on improvements in financial efficiency, cost reduction, and a positive influence on the organization's overall cost structure.

This suggests a favourable view of TQM practices in positively shaping financial performance in organization.

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