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Faculty of Management  
Midocean University

**Project title**

**The Impact of Total Quality Management Practices on  
Organizational Performance**

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# Abstract

This study examines the impact of Total Quality Management (TQM) practices on organizational performance in the service sector. The study focuses on the role of customer focus, leadership, employee involvement, and continuous improvement in enhancing organizational performance and service quality. A quantitative research approach was adopted, and data were collected through an online questionnaire distributed to respondents with experience dealing with service organizations. The collected data were analyzed using descriptive statistical methods to identify respondents' perceptions of TQM practices and organizational performance. The findings indicate that TQM practices have a positive role in improving service quality, customer satisfaction, and organizational performance. The results particularly highlight the importance of effective leadership, employee behavior, continuous improvement, and high-quality services. The study concludes that organizations can improve their overall performance by adopting and continuously developing effective Total Quality Management practices.

**Keywords:** Total Quality Management (TQM), Organizational Performance, Service Quality, Customer Satisfaction, Leadership, Continuous Improvement.

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## Chapter 1

## 1.1 Introduction

In the contemporary global business environment, organizations operate under intense competitive pressure driven by globalization, rapid technological advancements, market liberalization, and increasing customer expectations. These dynamic conditions require organizations to continuously improve their internal processes, enhance product and service quality, and achieve superior performance outcomes in order to survive and sustain competitive advantage. As a result, quality management has evolved from a traditional inspection-based approach to a strategic management philosophy integrated into all organizational functions.

Total Quality Management (TQM) is widely recognized as one of the most comprehensive and influential management philosophies aimed at achieving continuous improvement and long-term organizational excellence. TQM emphasizes customer focus, leadership commitment, employee involvement, continuous process improvement, fact-based decision-making, and strategic quality planning (Oakland, 2014). Rather than being limited to quality control techniques, TQM represents an organizational culture that encourages participation, teamwork, and systematic problem-solving across all levels of management.

The theoretical foundations of TQM are largely influenced by quality pioneers such as Deming (1986) and Juran (1988), who stressed the importance of continuous improvement, management responsibility, and process control in achieving superior performance. Over time, TQM has been adopted not only in manufacturing industries but also in service sectors, healthcare institutions, financial organizations, and educational institutions. Empirical studies suggest that effective implementation of TQM practices can lead to enhanced productivity, cost reduction, improved customer satisfaction, and stronger financial performance (Talib, Rahman, & Qureshi, 2013).

However, despite its theoretical strengths and global adoption, the empirical evidence regarding the impact of TQM on organizational performance remains inconsistent. While some studies confirm a positive and significant relationship between TQM practices and performance indicators, others indicate that implementation challenges, lack of strategic alignment, and weak managerial commitment may limit its effectiveness. These mixed findings highlight the need

for further empirical investigation into how and to what extent TQM practices influence organizational performance.

Therefore, this study aims to examine the impact of Total Quality Management practices on organizational performance by identifying key TQM dimensions and analyzing their effect on performance indicators.

## **1.2 Research Problem**

Although Total Quality Management has been widely implemented across different sectors, many organizations fail to achieve the expected improvements in performance. In some cases, TQM initiatives are introduced formally without being fully embedded in organizational culture or aligned with strategic objectives. This weak integration may reduce the effectiveness of TQM practices and limit their contribution to organizational outcomes.

Moreover, the existing academic literature presents mixed results regarding the strength and nature of the relationship between TQM and organizational performance. Some studies report strong positive correlations, while others suggest that contextual factors such as organizational size, leadership style, and industry type may influence the effectiveness of TQM implementation.

Accordingly, the research problem can be formulated as follows:

To what extent do Total Quality Management practices influence organizational performance?

### 1.3 Research Significance

#### At the Theoretical Level

This study contributes to the existing body of knowledge by providing an integrated framework that links TQM dimensions with measurable organizational performance indicators. It enriches academic discussion in the fields of quality management, strategic management, and organizational performance measurement. Additionally, it helps clarify inconsistencies in previous empirical findings by examining the direct relationship between TQM practices and performance outcomes.

#### At the Practical Level

From a practical perspective, the study provides valuable insights for managers and decision-makers regarding the importance of effective TQM implementation. The findings may assist organizations in identifying the most influential quality management practices that contribute to improved financial performance, operational efficiency, and customer satisfaction. Furthermore, the study can guide policymakers and business leaders in designing strategic quality initiatives that enhance competitiveness and sustainability.

## **1.4 Research Objectives**

- 1. To identify key TQM practices implemented in organizations.**
- 2. To examine the relationship between TQM practices and organizational performance.**
- 3. To analyze the impact of leadership on TQM success.**
- 4. To evaluate the role of employee involvement in improving performance.**
- 5. To provide recommendations for effective TQM implementation.**

## **1.5 Research Questions**

Main Research Question:

- To what extent do Total Quality Management (TQM) practices influence organizational performance?

Sub-Questions:

1. What are the key dimensions of TQM practices?
2. How does customer focus affect organizational performance?
3. What is the role of leadership in successful TQM implementation?
4. How does employee involvement impact performance outcomes?
5. What is the relationship between continuous improvement and organizational efficiency?

## **1.6 Research Hypotheses**

- H1: TQM practices have a positive effect on organizational performance.
- H2: Customer focus positively influences organizational performance.
- H3: Leadership commitment positively affects TQM implementation.
- H4: Employee involvement improves organizational performance.
- H5: Continuous improvement has a significant positive impact on performance.

### **1.7 Research Model**

- The research model is based on examining the relationship between Total Quality Management (TQM) practices and organizational performance.
- Independent Variables (IV):
  - Customer Focus
  - Leadership
  - Employee Involvement
  - Continuous Improvement
- Dependent Variable (DV):
  - Organizational Performance
- The model assumes that TQM practices (independent variables) have a direct positive effect on organizational performance (dependent variable).

### **1.8 Scope of the Study**

This study focuses on examining the impact of Total Quality Management (TQM) practices on organizational performance within service organizations. The study specifically investigates customer focus, leadership, employee involvement, and continuous improvement. The target population consists of employees working in banks, hospitals, and telecommunication companies.

### **1.9 Project Structure**

This project is organized into five chapters. Chapter One introduces the research background, problem statement, objectives, research questions, hypotheses, research model, scope of the study, and project structure. Chapter Two presents the literature review. Chapter Three explains the research methodology. Chapter Four presents the data analysis and results. Chapter Five concludes the study and provides recommendations.

# Chapter 2

## 2.1 Introduction

This chapter provides a comprehensive review of the literature related to Total Quality Management (TQM) and organizational performance. It discusses the concept and principles of TQM, its key dimensions, and the measurement of organizational performance. Furthermore, the chapter examines previous empirical studies that have investigated the relationship between TQM practices and organizational performance, highlighting both consistent findings and existing gaps in the literature.

## 2.2 Concept of Total Quality Management (TQM)

Total Quality Management (TQM) is a comprehensive management philosophy that focuses on continuous improvement, customer satisfaction, and the involvement of all employees in improving organizational processes. According to W. Edwards Deming (1986), quality should be integrated into every stage of production and service delivery to achieve long-term success. Similarly, Joseph M. Juran (1988) emphasized the importance of quality planning, quality control, and quality improvement as essential components of effective management.

TQM is not limited to quality inspection; rather, it represents a cultural transformation within organizations. Philip B. Crosby (1979) introduced the concept of “zero defects,” which highlights the importance of doing things right the first time. In addition, Armand V. Feigenbaum (1991) defined TQM as a system that integrates quality development, maintenance, and improvement across all departments.

Overall, TQM is considered a strategic approach that enhances competitiveness by improving processes, reducing costs, and increasing customer satisfaction.

## 2.3 TQM Dimensions

TQM consists of several key dimensions that collectively contribute to organizational success. One of the most important dimensions is customer focus, which emphasizes understanding and meeting customer needs and expectations. Organizations that prioritize customer satisfaction are more likely to achieve long-term success.

Leadership is another critical dimension of TQM. Effective leadership ensures clear direction, strong commitment to quality, and support for continuous improvement initiatives. Leaders play a key role in creating a quality-oriented culture within the organization.

Employee involvement is also essential, as it encourages participation, teamwork, and empowerment. When employees are actively involved in decision-making processes, they are more motivated to contribute to organizational improvement.

Continuous improvement is a fundamental principle of TQM that focuses on enhancing processes, reducing errors, and increasing efficiency over time. According to Oakland (2014), continuous improvement enables organizations to adapt to changing environments and maintain competitive advantage.

These dimensions work together to ensure that quality is embedded in all aspects of organizational operations.

## 2.4 Organizational Performance

Organizational performance refers to the ability of an organization to achieve its goals efficiently and effectively. It is a multidimensional concept that includes financial performance, operational efficiency, and customer satisfaction.

Financial performance measures profitability, revenue growth, and cost reduction. Operational performance focuses on productivity, process efficiency, and quality of outputs. Customer satisfaction reflects how well an organization meets customer expectations and builds long-term relationships.

According to various studies, organizations that adopt effective management practices, such as TQM, tend to achieve higher levels of performance. Performance measurement is essential for evaluating success and identifying areas for improvement.

## 2.5 Relationship between TQM and Organizational Performance

The relationship between TQM practices and organizational performance has been widely examined in academic research. Many studies have found a positive and significant relationship between the two.

For instance, Hakan Kaynak (2003) found that TQM practices positively influence operational performance and indirectly improve financial performance. Similarly, Talib, Rahman, and Qureshi (2013) concluded that TQM implementation leads to higher quality performance and customer satisfaction, particularly in service organizations.

Additionally, studies by Powell (1995) suggest that organizations that effectively implement TQM practices achieve competitive advantage and superior performance. Samson and Terziovski (1999) also found that leadership and people management are key drivers of performance improvement under TQM.

However, not all studies report consistent results. Some researchers argue that the success of TQM depends on factors such as organizational culture, leadership commitment, and proper implementation strategies. Failure to integrate TQM into organizational strategy may lead to limited or no improvement in performance.

Overall, the majority of empirical evidence supports the view that TQM has a positive impact on organizational performance when properly implemented.

## Chapter 3

### 3.1 Introduction

This chapter explains the research methodology adopted in this study. It describes the research design, operational definitions of the research variables, target population, sampling technique, data collection method, types of data, and statistical analysis procedures. The purpose of this chapter is to explain how the study will be conducted to examine the impact of Total Quality Management (TQM) practices on organizational performance.

### 3.2 Operational Definitions for Research Variables

The study includes one independent variable and one dependent variable.

**Independent Variable**

**Total Quality Management (TQM)**

Total Quality Management refers to a management philosophy that focuses on continuous improvement, customer satisfaction, employee participation, and leadership commitment to improve organizational performance.

The dimensions of TQM used in this study are:

- Customer Focus
- Leadership
- Employee Involvement
- Continuous Improvement

**Dependent Variable**

**Organizational Performance**

Organizational performance refers to the organization's ability to achieve its goals effectively and efficiently through improved service quality, productivity, and customer satisfaction.

### 3.3 Research Design (Research Onion)

This study adopts a positivist research philosophy because it aims to measure the relationship between Total Quality Management practices and organizational performance using quantitative data.

A deductive research approach is adopted since the study tests hypotheses developed from previous literature.

The research strategy is survey research, which allows the collection of data from a large number of respondents through a structured questionnaire.

The study follows a cross-sectional time horizon, where data are collected at one point in time.

A quantitative research method is employed because it provides numerical data suitable for statistical analysis.

### Research Onion Summary

|                       |                 |
|-----------------------|-----------------|
| Layer                 | Selected Method |
| Research Philosophy   | Positivism      |
| Research Approach     | Deductive       |
| Research Strategy     | Survey          |
| Methodological Choice | Quantitative    |
| Time Horizon          | Cross-sectional |
| Data Collection       | Questionnaire   |

### 3.4 Research Population and Sampling Methods and Technique

The target population of this study consists of individuals who have experience dealing with service organizations such as banks, hospitals, and telecommunication companies. A convenience sampling technique was used to collect data through an online questionnaire, and the collected responses were analyzed to examine the relationship between Total Quality Management (TQM) practices and organizational performance.

### 3.5 Data Collection Method

Primary data will be collected using a structured questionnaire created through Google Forms. The questionnaire consists of demographic questions and statements measuring the study variables using a five-point Likert scale, ranging from:

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

The questionnaire link will be distributed electronically through social media platforms and online communication channels.

### 3.6 Types of Data

This study uses both primary and secondary data.

#### Primary Data

Primary data are collected directly from respondents through the online questionnaire.

#### Secondary Data

Secondary data are obtained from books, academic journals, conference papers, and previous studies related to Total Quality Management and organizational performance.

### 3.7 Statistical Analysis Procedures

The collected data will be analyzed using the Statistical Package for the Social Sciences (SPSS).

The following statistical techniques will be used:

- Descriptive Statistics (Frequency, Percentage, Mean, and Standard Deviation)
- Reliability Analysis using Cronbach's Alpha
- Correlation Analysis
- Simple Linear Regression Analysis
- Hypothesis Testing

The findings will be presented using tables and charts where appropriate.

### **3.8 Conclusion**

This chapter has explained the research methodology adopted in the study. It described the operational definitions of the variables, research design, research population, sampling technique, data collection method, types of data, and statistical analysis procedures. The next chapters will present the data analysis, findings, and conclusions based on the collected responses.

## **Chapter 4**

## 4.1 Introduction

This chapter presents the statistical analysis and discussion of the findings obtained from the questionnaire responses. A total of 23 valid responses were collected and analyzed. The chapter includes the demographic profile of respondents, reliability analysis of the questionnaire, descriptive statistics for the research variables, discussion of the findings, and a conclusion.

## 4.2 Sample Profile

**Table 4.1 Gender Distribution**

| Percentage | Frequency | Gender |
|------------|-----------|--------|
| 91.3%      | 21        | Male   |
| 8.7%       | 2         | Female |
| 100%       | 23        | Total  |

### Interpretation

The majority of respondents were male (91.3%), while females represented 8.7% of the sample.

**Table 4.2 Age Distribution**

| Percentage | Frequency | Age Group    |
|------------|-----------|--------------|
| 17.4%      | 4         | Less than 25 |
| 60.9%      | 14        | 25–34        |
| 13.0%      | 3         | 35–44        |
| 4.3%       | 1         | 45–54        |
| 4.3%       | 1         | 55 and above |
| 100%       | 23        | Total        |

### Interpretation

Most respondents (60.9%) were between 25 and 34 years old, indicating that the sample mainly represents young adults.

### 4.3 Validity and Reliability Tests

**Table 4.3 Reliability Analysis**

| Value | measure          |
|-------|------------------|
| 0.915 | Cronbach's Alpha |
| 10    | Number of Items  |

#### Interpretation

The questionnaire achieved a Cronbach's Alpha of 0.915, indicating excellent internal consistency. Therefore, the questionnaire is considered reliable for measuring the research variables.

#### 4.4 Descriptive Statistics for Research Variables

**Table 4.4 Descriptive Statistics**

| Interpretation | Mean | Statement                                              |
|----------------|------|--------------------------------------------------------|
| Moderate       | 3.48 | Companies usually pay attention to customer needs      |
| Moderate       | 2.91 | Companies respond appropriately to customer complaints |
| Moderate       | 3.39 | Customer satisfaction is a priority for most companies |
| High           | 4.22 | Company management improves service quality            |
| High           | 4.35 | Good leadership contributes to better customer service |
| High           | 4.04 | Strong leadership provides better services             |
| High           | 4.17 | Employees' behavior affects customer satisfaction      |
| High           | 4.35 | Helpful employees improve customer experience          |
| High           | 4.26 | Companies should continuously improve their services   |
| Very High      | 4.52 | High-quality services improve company performance      |

##### Interpretation

The descriptive statistics indicate that respondents generally agreed that leadership, employee behavior, continuous improvement, and service quality positively influence organizational performance. The highest mean score (4.52) was recorded for the statement "High-quality services improve company performance," demonstrating strong agreement among respondents.

#### 4.5 Testing Hypotheses

Based on the descriptive findings obtained from the questionnaire responses, the study hypotheses were assessed in relation to the respondents' perceptions of Total Quality Management (TQM) practices and organizational performance.

H1: Total Quality Management practices have a positive impact on organizational performance.

Result: Supported.

The findings indicate that respondents generally perceived TQM practices positively and associated them with improved organizational performance.

H2: Leadership positively influences organizational performance.

Result: Supported.

The findings show a high level of agreement regarding the importance of leadership in improving service quality and organizational performance.

H3: Continuous improvement positively affects organizational performance.

Result: Supported.

The findings indicate strong agreement that continuous improvement of services contributes to better organizational performance.

### **Interpretation**

Overall, the findings provide support for the proposed hypotheses based on the respondents' reported perceptions. The results highlight the importance of TQM practices, particularly leadership and continuous improvement, in contributing to better service quality and organizational performance.

## **4.6 Discussion of Findings**

The findings indicate that respondents perceive Total Quality Management practices as important factors influencing organizational performance. Leadership and continuous improvement received high mean scores, suggesting that these practices play a significant role in improving service quality and customer satisfaction. These findings are consistent with previous studies by Oakland (2014), Goetsch and Davis (2016), and Sadikoglu and Zehir (2010), which concluded that effective implementation of TQM practices enhances organizational performance and increases customer satisfaction.

## **4.7 Conclusion**

This chapter presented the statistical analysis of the collected data. The sample profile showed that most respondents were male and between 25 and 34 years old. The questionnaire demonstrated excellent reliability with a Cronbach's Alpha value of 0.915. The descriptive statistics indicated positive perceptions toward Total Quality Management practices, particularly leadership, employee involvement, continuous improvement, and service quality. Overall, the findings support the importance of Total Quality Management in improving organizational performance.

# Chapter 5

## 5.1 Research Limitations

This study has some limitations that should be considered when interpreting its findings. First, the study focused on the service sector, particularly organizations such as banks, hospitals, and telecommunication companies, which may limit the generalization of the findings to other industries. Second, the study used a convenience sampling technique and an online questionnaire, which may limit the representativeness of the respondents. Third, the study relied on respondents' perceptions and opinions, which may be influenced by individual experiences and personal judgments. Finally, the study examined selected TQM practices and their relationship with organizational performance, while other factors that may influence organizational performance were not included in the study.

## 5.2 Recommendations

Based on the findings of this study, several recommendations can be made. First, organizations should pay greater attention to customer needs and respond effectively to customer complaints in order to improve customer satisfaction. Second, organizations should strengthen leadership practices because effective leadership plays an important role in improving service quality and organizational performance. Third, employees should be encouraged to participate in improvement activities and provide better customer service. Fourth, organizations should continuously improve their services and processes to meet changing customer expectations. Finally, organizations should maintain high service quality because high-quality services can contribute significantly to better organizational performance.

## 5.3 Conclusion

This study examined the relationship between Total Quality Management practices and organizational performance in the service sector. The findings indicate that TQM practices play an important role in improving service quality, customer satisfaction, and organizational performance. The results also highlight the importance of leadership, employee involvement, customer focus, and continuous improvement in achieving better organizational outcomes. Although the study has some limitations, its findings emphasize the value of adopting effective TQM practices in service organizations. Overall, organizations that focus on continuous improvement and high-quality services are more likely to achieve improved performance and better customer experiences.

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# Appendix A: Questionnaire for Research Variables

Google form link : [https://docs.google.com/forms/d/e/1FAIpQLSeIAg4dAcM-BNyXJTUURYeVVZ\\_U3iaunEFm\\_Jh5RHki5NHLOW/viewform?usp=header](https://docs.google.com/forms/d/e/1FAIpQLSeIAg4dAcM-BNyXJTUURYeVVZ_U3iaunEFm_Jh5RHki5NHLOW/viewform?usp=header)

## Gender

- Male
- Female

## Age

- Less than 25
- 25–34
- 35–44
- 45–54
- 55 and above

## Response Scale

For the following statements, please select one of the following options:

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

## **Customer Focus**

1. Companies usually pay attention to customer needs.
2. Companies respond appropriately to customer complaints.
3. Customer satisfaction seems to be a priority for most companies.

## **Leadership**

4. Company management plays an important role in improving service quality.
5. Good leadership contributes to better customer service.
6. Companies with strong leadership usually provide better services.

## **Employee Involvement**

7. Employees' behavior affects my satisfaction with a company.
8. Helpful employees improve my experience with a company.

## **Continuous Improvement**

9. Companies should continuously improve their services.

## **Organizational Performance**

10. High-quality services improve company performance.

## Table of Research Instruments

| Variable                   | Dimension               | Number of Items |
|----------------------------|-------------------------|-----------------|
| Total Quality Management   | Customer Focus          | 3               |
| Total Quality Management   | Leadership              | 3               |
| Total Quality Management   | Employee Involvement    | 2               |
| Total Quality Management   | Continuous Improvement  | 1               |
| Organizational Performance | Performance Measurement | 1               |