

## **THE IMPACT OF TOTAL QUALITY MANAGEMENT (TQM) ON ORGANIZATIONAL PERFORMANCE (Case Study: Pegah Company)**

**Amir Karamzadeh<sup>1</sup>, AboutorabAlirezaei<sup>2</sup> and  
Golamreza Hashemzadeh<sup>3</sup>**

***Abstract:** According to the importance of quality in organizations and increased intention to it, different views are presented about ways and a means of reaching it. Today, total quality management is one of systems by which organizations can control the goods and services, as well as their sales process or present them. It's effects on the functioning of the system, tested repeatedly and verified. Therefore, in the ongoing study will try to assess the role of the pivotal organizational intermediary market, create systematic view to quality discussion and identify the combination effect of both management and organizational performance approach. In the present study to achieve optimal organization performance is trying to use both systems of total quality management and organizational pivotal market, to measure impact of each of them on the performance. The aim of this study is to evaluate and anticipate the impact of total quality management (TQM) on the performance of organization with a view to the pivotal market in dairy companies is of Pegah. It is an applied research with survey approach, that were done cross-sectional on a sample of 40 numbers of experts and managers of Pegah company.*

*In order to achieve the goal of research first gathered the necessary information and then questionnaire was designed that their validity was approved by supervisors and a group of experts and the reliability were obtained 0.81 by SPSS software using Cronbach's alpha. After collecting data through questionnaires in order to analyze them t-test was used.*

*The results of this study confirm a positive effect of the two approaches is TQM and market orientation on the performance.*

***Keywords:** Quality, organization performance, total quality management, orientation market, quality control.*

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<sup>1</sup> Department of Management Production Orientation, South Tehran Branch, Islamic Azad University, Tehran, Iran

<sup>2</sup> Assistant Professor, South Tehran Branch, Islamic Azad University, Tehran, Iran

<sup>3</sup> Associate Professor, South Tehran Branch, Islamic Azad University, Tehran, Iran

## INTRODUCTION

In the modern management, managerial decisions always have to decide through reflection, modern and root design and and continuous transformation according to the customer's wishes and possibilities and potential competitors abilities. Total quality management, is a process which aims to create a standard for continuous improvement of quality, methods and optimal use of limited resources.

Total quality management system has created based on systems theory, so has a totalizer view and total quality management seeks it's success in creating a dynamic corporate culture to provide a basement for the full participation of people and efforts relined to improve the quality of services. Scientific research in relation to the total quality management has beenproposed more than 20 years.

These studies have examined of quality management functions with different aspects of the company's performance (Kaynak and Hinly, 2008). Useful quality management is competitive source and it's purpose is providing goods or services to the customer in a satisfactory agreement and when customer satisfaction is established in the center of the company, Business operating profit is to provide how the right products with the right quality and delivery in the right time and the right place. (Lee et al., 2008) intotal quality management goals are based on continuous improvementquality of system. Guidance of companies to invest in improving the quality leads to achieve market interest. customers prefer higher quality products certainly.

And so market share will tend to move towards organizations that can produce high-quality products and services. So efforts to improve quality, increase customer satisfaction and loyalty and also will increase sales. (Zhu et al., 2010). Central core of total quality management focuses on three pillars of customer satisfaction :

1. Customer satisfaction
2. Staff involvement
3. Process improvement (Lee et al., 2008)

And involvement of all employees in the continuous improvement of work processes is base of any total quality management efforts. One of the key building elements of total quality management, is performance measurement. Measuring performance has been identified by some researchers as an important factor in the years ago,. These factors include financial and non-financialindiciores.

Organizational performance is an overall structure that's refer to howthe organizational operations is. The most famous definition of performance proposed by Nili et al (2002): process to explanation ofeffectiveness quality and efficiency of

past actions. According to this definition, the operation is divided into two components: effectiveness and efficiency. Measuring performance is an issue that is often discussed, but less defined. Performance appraisal system, a combination of a set of performance indicators to define a conceptual framework to help executives to evaluate performance. Models of measurement in common the fact that each one refer specific layout that performance indicators should be made according to their structure (moen, 2008). Performance evaluation is a key factor for effective management.

This may be caused from this fact that without assessments something it will be difficult to improve it. Thus improving organizational performance needs to identify and assess the impacts of total quality management techniques on it. According to Favsarvinet al in 2009, performance evaluating could be considered an important factor in the success or failure of any qualitative work of organization.

Studies have been conducted to clarify the relationship between TQM and organizational performance, have led to different results. On the other hand, there are studies which are discussed about the effects of total quality management on the business value.

Studies of Adam et al in 1997, Henrik and Synqal in 2001, Mani et al. (1994) have shown that total quality management affect on objective criteria to monitor performance such as investment return, return on equity and operating income before depreciation. Fotopolas and colleagues reported in 2009 that total quality management is an important factor to improving performance.

According to Fotopolas et al, leadership, teamwork, customer focus, management and training of providers quality are key success factors in application of total quality management. Fotopolas et. al. (2009) stated that these CSF are effective in quality improve, profitability, customer satisfaction, market share, reduce the deficit and reduce the effective price. According to Kumar et. al., 2008, performance appraisal includes customer satisfaction, profit and market share, and they pointed out that the total quality management enables companies to improve their performance. According to Hanson and Kelefsjou in 2003, total quality management components are including providing management, leadership, customer focus, service design, teamwork and quality culture.

These components make up CSF of total quality management. According to the importance of total quality management and organizational performance, purpose of this study is to investigate the relationship between total quality management (TQM) on organization performance with a view to the orientation in Pegah company and evaluate the effective relationship between the competition-orienting, market orientating, customer orientating and service quality by Total Quality Management.

According to reach mentioned purposes, these hypotheses have been proposed:

1. TQM has significant impact on the customer-orienting in Pegah company.
2. Total quality management has a significant impact on the service quality of in Pegah company.
3. TQM has a significant effect on the market-orienting in Pegah company.
4. TQM has a significant effect on competition-orienting in Pegah company.

## **RESEARCH METHODOLOGY**

This study is a survey field research. Because researcher has no any control on variables. Target is practical type, because the relationship between total quality management (TQM) and organizational performance has been measured in Pegah dairy companies.

In this study, to collect theoretical and subject literature, used the library method consists of books, papers, documents and related valid Internet sites. The study population consisted of all experts and managers with experience in research subject.

Among the managers and experts of the company, were taken random samples to achieve the objectives of the study and answer the questions. After extraction of official members data, it was identified that community members including experts and managers, the number of people who were eligible to answer the research questions in Pegah dairy companies were about 50 people.

Then to determine the sample size in this study Morgan table was used that study sample size was based on Morgan determined 40 number. In order to study and understanding of the broader aspects of organizational performance questionnaire was designed, including 23 closed questions (multiple choice), & to collect needed information used the questionnaire. The questions of organizational performance questionnaire were divided into four overall sections.

The first part is related to customer-orienting and contains 6 questions, the second part is related to service quality and includes 7 questions, the third part related to market-orienting and contains 5 questions, the fourth part related to competition-orienting and consists of 5 questions that all questions were prepared in interval scale and Likert scale. The questionnaire validity was approved by supervisors and a group of experts.

In order to assess the reliability of research was used Cronbach's alpha coefficient. Reliability means that if the instrument have gotten in several times in a short time and to the same group of people, results were closed to each other. (Aulotas, 2011) Cronbach alpha coefficient were obtained 0.81 according to the questionnaire, which indicates stability and questionnaire internal homology.

After data collection, inferential statistics were used to data analysis, in first, to verify normal distribution of the results, Kolmogorov-Smirnov test was used which results are as following table 1.

**Table 1**  
The Significant Level of Kolmogorov - Smirnov Test of Indicators

<i>Variables</i>	<i>Significance level</i>	<i>Test result</i>
Customer-orienting	0.685	Confirm
Service quality	0.075	Confirm
Market-orienting	0.11	CXonfirm
Competition-orienting	0.0982	Confirm

Because the significance level in all 4 cases (competition-orientation, market-orientation, service quality of and customer- orientation) are greater than (0.05), we conclude that the data relating to all 4 items have normal distribution, so through T test we examine each of the hypotheses. In order to perform the statistical analysis on the data, we used the SPSS19 software.

**Data Analysis**

In order to evaluate each of the hypotheses we used T-test, which results mentioned in Table 2.

**Table 2**  
T-test results

<i>Hypotheses</i>	<i>Average</i>	<i>T-statistic</i>	<i>Significance level</i>	<i>Insurance level of 95%</i>	
				<i>Down limit</i>	<i>Up limit</i>
TQM has significant impact on the customer-orienting in Pegah company	37.08	5.592	0.000	9.63	4.52
Total quality management has a significant impact on the service quality of in Pegah company.	46.73	6.710	0.000	15.26	8.19
TQM has a significant effect on the market-orienting in Pegah company	36.17	12.775	0.000	12.94	9.41
TQM has a significant effect on competition-orienting in Pegah company	37.33	12.861	0.000	14.26	10.39

**First Hypothesis**

TQM has significant impact on the customer-orienting in Pegah company.

Considering that the significant level obtained 0.000 and this amount is smaller than 0.05 and because average obtained ( $\mu = 37.08$ ) is over the cut number of 30 in portion (Test value), so this hypothesis is accepted which means that, total quality management has desired effect on customer-orientation in Pegah dairy company.

**The Second Hypothesis**

Total quality management (TQM) has a significant impact on the service quality of in Pegah company.

Considering that the significant level obtained 0.000 and this amount is smaller than 0.05 and because average obtained ( $\mu = 46.73$ ) is over the cut number of 35 in portion (Test value), so the hypothesis is accepted that means, total quality management has desired effect on the quality of service in Pegah dairy company.

### **The Third Hypothesis**

TQM has a significant effect on the market-orienting in Pegah company.

Considering that the significant level obtained 0.000 and this amount is smaller than 0.05 and average obtained ( $\mu = 36.17$ ) is more than cut number of 25 in portion (Test value), so this hypothesis is accepted that means total quality management desired effect on market-orientation in Pegah dairy company.

### **The Fourth Hypothesis**

TQM has a significant effect on competition-orienting in Pegah company.

Considering that significant level obtained 0.000 and this amount is smaller than 0.05 and the average obtained ( $\mu = 37.33$ ) is more than cut number of 25 in portion (Test value), so this hypothesis is accepted that means total quality management has desired effect on competition orientation in Pegah dairy company.

## **CONCLUSIONS AND RECOMMENDATIONS**

According to the confirmation of all hypotheses we conclude that TQM has good on 4 factors of customer satisfaction, service quality, market orientation and competition orientation in Pegah dairy company. Based on performed tests results and theoretical foundations of research, following suggestions recommended to Pegah dairy companies and similar organizations to move to adopt necessary strategies to improve the quality of products and services.

1. It is suggested to organizations that rate of their services quality are lower than the average rates,,invest more on services quality to improve performance.
2. It is suggested to organizations that rate of their customer orientation are lower than the average rates, invest more on customer orientation to improve performance.
3. According to relationship between TQM and services quality, offered to pay more attention to aspects of total quality management system and to action and reflect and to provide them with more accurate. For example, on staff training, try to provide information regarding the marketing and financial issues, in addition to discussing their work and provided to them as a training course or workshop.
4. According to importance of continuous improvement, it is recommended to periodically or after a certain time that management recognize, do some changes

in diversity of products, improve the quality of services and perform it by using customers ideas, employees, internal organization professionals and competitor markets.

5. About the obligation is better that the directors monitor the performance and quality of services and products in order to not negligence the quality of products and satisfy customers more. To further improvement and customer satisfaction (clients), it is recommended that in case of problem solving and complaints from customers, managers and after-sales service officials as much as possible personal follow-up and eliminate dissatisfaction, because retaining existing customers is very important for Pegah dairy company and similar organizations.
6. About the partnership is also recommended to periodically distribute forms to delegatesto Pegah dairy customers and collect their opinion on the products and the entire organization, and others also ask and give prizes to best opinions will be effective to create the grounds for the proposal system.
7. According to the relationship between market-orientation and services quality, which has a large effect, about customer orientation which exist special intention in the Pegah dairy company and similar organizations, it is recommended to present periodically customer satisfaction forms and it's variations would noted by managers, and by decreasing customer satisfaction try to identification and elimination of the reasons. In the competition issue, which has special importance in Pegah dairy company and similar organizations, for organization development it is proposed to send representatives to competing organizations monthly to use products and services provided by them to assess and pattern their products and services quality & also suggested to, weekly or monthly meetings with managers and sections supervisors and data sectors will continuously available to administrators. Thus, managers not only ensure their organizations performance of find failures, but in case of failure, can gather to meet with advice and act more quickly.
8. And fatally, according to the close relationship between TQM and market orientation and positive effects of both on Pegah Dairy Company quality of products and services recommended to further effect of these two factors on performance, try to use combined tool of support quality management. That is formed the mix of service provided by branches and quality system; because integrated services include: location and timing, process, people, physical evidence and the efficiency and quality (Lovelock et al., 1999), without internal support for the provision, seems incomplete. For example about process can be use of monitoring processes toward continuous improvement, or about efficiency use the training.

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