



The Impact of Total Quality Management Practices on Non-Financial Performance Perceptions

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Extensive Summary

The competitive environment of the 21th century requires the delivery of cost, efficiency, high service levels, rapid response, and high quality of products and services (Lin et al., 2005). Companies focus on quality management for strategy which helps maintaining their sustainable competitive advantage. In addition, companies take performance management as a base in order to be sure about their first goal which is sustainability. Performance measurement is a critical factor for effective management. This may show us the fact that without measuring something, it is difficult to improve it (Salaheldin, 2009). So far, most of the works about performance measurement focus on the financial performance, however in recent years there are works using non-financial performance measurements. The global implementation of quality management in different sectors makes it easy to measure quality management performance. Previous studies in the Total Quality Management implementation are made in developed countries including USA, Japan and the Far East, and it mainly uses financial performance measurements. Unlike these studies, we made our study in Turkey an on non-financial measurement.

Quality concept is a hot topic from the time of Taylor who is the founder of Scientific Management (Öztemel, 2001). Quality topic becomes one of the favorite by the development of industry, and quality becomes main target in product and service production by the change of customers' needs and expectations. There are different definitions at different times about the concept of quality; according to these definitions, the meaning of quality for Juran is suitability, for Crosby is appropriate in case, for Taguchi is minimum lost in product after logistic, and for Feigenbaum is satisfaction of customer needs (Hemedoglu, 2012).

Total Quality is analyzing and improvement of management, jobs, products and service quality by support of employee in all works which have been done in businesses (Beşkese, 1995, p.34). TQM is not only quality instruments and techniques, also values and beliefs which need to be shared in all organization. For some decades Total Quality

Management (TQM) has been used in large parts of the world to improve competitiveness, efficiency and profitability (Klefsjö et al., 2008). Especially in last years, production oriented companies adopt TQM for improve quality and service in intense competitive market (Chenhall, 1997).

TQM movement can be described as customer orientation, sustainable development, empowerment and data based decision making (Kannan and Tan, 2005). There are different classifications made by some researchers. Through extensive review of the TQM literature, the present studies identified a set of 17 TQM practices; top management commitment, customer focus, training and education , continuous improvement and innovation, supplier management , employee involvement , information and analysis , process management , quality systems , benchmarking , quality culture, human resource management , strategic planning , employee encouragement , teamwork , communication , and product and service design(Talib et al., 2010).

Performance measurement is a critical factor for the effective management. This may stem back from the fact that without measuring something, it is difficult to improve it (Salaheldin, 2009). Performance management system is the mile stone for human resource management and foundation for improving system approach to organization' management (Deadrick and Gardner, 2000). The performance is usually evaluated by estimating the values of qualitative and quantitative performance indicators (Popova and Sharpanskykh, 2010). Even though there are a lot of performance criteria for measuring these performance indicators, there are limited numbers of performance criteria in reviews of TQM. In most of the researches on TQM, the performance measured by use of public financial data (Easton and Jarrell, 1998). However there are limited at the same time increasing numbers of non-financial performance measurements. In our research, we will focus on non-financial performance instead of financial performance. A growing number of literatures suggest that because current non-financial measures are better predictors of long-term financial performance than current financial measures, because of that they help managers on the long-term aspects of their actions (Banker et al., 2000). However, most of the studies made in this field conclude that there is positive relationship between TQM and non-financial performance; there are different results for every each dimension of TQM and non-financial performance.

In this work, we study relationship for the dimensions of both TQM and non-financial performance and search about the meaning of these relations. The survey which used in research has been formed by three sections. The first section contains information about company which applied survey. In second section, we try to measure non-financial performance. As for non-financial performance survey, we used the survey established by Hoque and James (2000) based on Balanced Scorecard model which developed by Kaplan and Norton (1992). But, because our work aims for non-financial performance, we removed the questions related with financial perspective. In the third section, we purposed for measuring the total quality implementation by developing survey that has 35 questions from four different surveys' appropriate items. This survey has been reviewed by professions who are working in total quality management implementation and based on their advices we finalized the survey. The data were collected by using the global web site product which is Google Document.

The survey has been sent to five companies serving in tourism, transportation, construction, food and technology sectors and asked to be filled by quality staff. The total number of survey sent is 121 and 76 of them has been returned back. However, 5 of them been filled are insufficient, so that's why the research sample of this study is 71. 71 possess 58.7% of 121 quality staff working in 5 companies. 19.7% of respondents works in tourism sector, 36.6% Works in transportation sector, 12.7% works in construction sector, 18.3% works in food sector and 12.7% works in technology sector. 56.3% of the respondents work in service oriented firms and the rest work in product oriented firms.

Because the KMO value and Barlett test are significant, factor analysis can be applied to nonfinancial performance scale. Three factors are derived from factor analysis with 63.724% explained cumulative variance. Nonfinancial performance factors are labeled as “customer perspective”, “innovation and learning perspective” and “internal processes perspective”. Furthermore, the KMO value and Bartlett test are significant for total quality scale. Three factors are derived from factor analysis with 75.296% explained cumulative variance for total quality scale. Three factors are labeled as “leadership and continuous improvement”, “customer focus” and “stakeholder participation”.

According to correlation analysis, there is a significant positive relationship between customer focus and nonfinancial performance. On the other hand, there is a significant negative relationship between customer focus, and innovation plus learning perspective. There is significant relationship between other dimensions. According to regression analysis, customer focus negatively impact on innovation and learning perspective of nonfinancial performance.

In the past researches on this topic, Vinuesa and Hoque (2011) study the contribution of nonfinancial performance measures on the relationships between total quality management (TQM) and performance. In this study, it is proved that, nonfinancial performance measures have a crucial role on the relationship between TQM strategy and quality performance. Malik et al. (2010) research the impact of total quality management applications on nonfinancial performance in SMEs. Malik et al. (2010) get the result that there is a positive relationship between TQM applications and nonfinancial performance. Moreover, Malik et al. (2010) insist that supplier relationship and benchmarking are the most critical dimensions for nonfinancial performance. These results are parallel to the results of this study.

The result of this study cannot be generalized due to it has been studied at 5 firms in 5 sectors and with 71 quality staff. For further research, the researchers should make a sectorial categorization, and study on all employees as well as quality staff.