THE CRITICAL SUCCESS FACTORS FOR TQM IMPLEMENTATION ON THE
ORGANIZATIONAL PERFORMANCE IN SME

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“I hereby declare that the work in this project report is my own except for quotations and summaries which have been duly acknowledged”

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DEDICATION

This thesis is dedicated to:

The sake of ALLAH, my Creator and my Master.

My father and my mother, who never stop giving support and encouragement,
Thank you for your prayer and blessing given.

My beloved brothers and sisters,
Thank you for the support and attention that has been given.

My great lecturers especially my supervisor, who assisted me with this study,
To all my friends, the symbol of love and giving.

Thank you for everything.
ACKNOWLEDGEMENT

In the name of ALLAH, the Beneficent and the Merciful. Alhamdulillah, Praise to the Lord, the Almighty God for His wills and blessings, it is with the deepest sense gratitude and the Al-Mighty that gives strength and ability to complete this project. I would like to take an opportunity to thank my Project Supervisor, Prof. Madya Dr. Hj Rosmaini Bin Hj Tasmin for his invaluable suggestions; guidance and constant encouragement for making this project a success. This project is not possible without their support and guidance.

Regards would also go to my lecturers and friends as well who involved either directly or indirectly, for their time spent, knowledge, and giving me full support in order to accomplish this project. Finally, this project is especially dedicated to my family for the understanding, tolerate and all the assistance conferred.

Last but not lease, I would like to express gratitude to all of the respondents, who give fully corporate with me during answering the questionnaire. For those who indirectly contributed in this research, your kindness means a lot to me.

Thank you very much.
This study is carried out about the critical success factors (CSFs) for total quality management (TQM) implementation in the organization which is an SME that have around Parit Raja, Johor. The implementation of total quality management which TQM is a system that is carried out to ensure quality, targeted customer by engaging all levels in the organization in helping to increase or improve overall. This research is conducted to identify the other factors of CSFs that can help the implementation of TQM in the organization. Parit Raja is selected regarding to the research gap that there have not studied conducted at this location. In addition, this study also uses other factors other than in previous studies. TQM implementation can improve the organizational performance in the SME in terms of operation procedure, employee relations and financial performance. Indirectly, it can help SME to be more competitive in the future. The study found that all of CSFs listed had a positive impact on the organizational performance. In addition, the TQM implementation also can be used as a reference to the organization in the implementation of TQM in the organization.
ABSTRAK

Kajian ini merupakan suatu kajian yang dijalankan berkaitan dengan faktor-faktor kejayaan pelaksanaan TQM di dalam organisasi iaitu IKS yang terdapat di sekitar Parit Raja, Johor. Pelaksanaan kualiti menyeluruh iaitu TQM merupakan suatu sistem yang dijalankan bagi menjamin kualiti yang difokuskan kepada pelanggan dengan melibatkan semua peringkat di dalam organisasi dalam membantu peningkatan atau penambahbaikan yang menyeluruh. Kajian ini dijalankan adalah bertujuan untuk mengkaji faktor-faktor lain yang boleh membantu kejayaan pelaksanaan TQM. Kawasan Parit Raja di pilih kerana tidak terdapat kajian lampau yang dijalankan di kawasan ini. Selain itu, kajian ini juga menggunakan faktor-faktor lain selain yang terdapat di dalam kajian lampau. Pelaksanaan TQM yang dijalankan oleh organisasi dapat meningkatkan kejayaan mereka dari segi prosedur operasi, hubungan antara pekerja dan dari segi kewangan. Hal ini secara tidak langsung, dapat membantu IKS supaya lebih berdaya saing pada masa akan datang. Hasil kajian ini mendapati bahawa kesemua CSFs yang disenaraikan dapat memberi kesan positif di dalam organisasi. Selain itu, TQM yang dilaksanakan juga dapat dijadikan sebagai rujukan kepada organisasi dalam penekanan pelaksanaan TQM di dalam sesebuah organisasi.
CONTENTS

<table>
<thead>
<tr>
<th>TITLE</th>
<th>i</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECLARATION</td>
<td>ii</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>iii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>v</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>vi</td>
</tr>
<tr>
<td>CONTENTS</td>
<td>vii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>ix</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>x</td>
</tr>
<tr>
<td>LIST OF SYMBOLS AND ABBREVIATIONS</td>
<td>xii</td>
</tr>
<tr>
<td>LIST OF APPENDICES</td>
<td>xiii</td>
</tr>
</tbody>
</table>

CHAPTER 1 INTRODUCTION

1.1 Introduction
1.2 Research Background  2
1.3 Problem Statement  3
1.4 Research Question  4
1.5 Research Objective  5
1.6 Research Hypothesis  5
1.7 Research Scope  5
1.8 Research Method  6
1.9 Research Significant  7
1.10 Summary  7

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction  9
2.2 The Early Theory of TQM  10
2.3 Definition of TQM  11
2.4 Critical Success Factors of TQM
  2.4.1 Leadership  12
  2.4.2 Process Management  13
2.4.3 Supplier 14
2.4.4 Customer Focus 15
2.4.5 Employee Management 16
2.5 The Performance of SME 17
2.6 The Positive Impact of TQM Implementation on the Organizational Performance 19
2.7 Conceptual Framework and Hypothesis 22
2.8 Summary 24

CHAPTER 3 METHODOLOGY
3.1 Introduction 26
3.2 Data Collection Method 27
3.3 Research Instrument 27
3.3.1 Primary Data 27
3.3.1.1 Questionnaire 27
3.3.2 Secondary Data 29
3.3.2.1 References from the Books, Journal, Articles, Internet and Newspaper 29
3.4 Research Design 30
3.5 Research Process 31
3.6 Sampling 32
3.6.1 Research Population 32
3.6.2 Sampling Method 32
3.7 Research Procedure 34
3.7.1 Pilot Study 34
3.7.2 The Actual Study 34
3.8 Research Method Analysis 35
3.8.1 Descriptive Statistical Analysis Method 35
3.8.2 Correlation Analysis 35
3.9 Summary 36
CHAPTER 4 RESULTS AND ANALYSIS

4.1 Introduction
4.2 Reliability Test
4.2.1 Pilot test
4.2.2 Actual Research
4.3 Section A: Respondent Background
4.3.1 Years of Implementing TQM
4.3.2 Role in Enterprise
4.3.3 Type of Industries
4.3.4 Numbers of Employees
4.4 Section B: Descriptive Analysis of Critical Success Factor of TQM Implementation
4.4.1 Descriptive Analysis for Independent Variable
4.4.1.1 Leadership Factor
4.4.1.2 Process Management Factor
4.4.1.3 Supplier Factor
4.4.1.4 Customer Focus Factor
4.4.1.5 Employee Management Factor
4.4.1.6 The Overall Descriptive Analysis
4.4.2 Descriptive Analysis for Dependent Variable
4.4.2.1 Operation Procedure
4.4.2.2 Employee Relations
4.4.2.3 Financial Performance
4.4.2.4 The Overall Descriptive Analysis
4.5 Inferential Analysis
4.5.1 Normality Test
4.5.1.1 Normality Test for the TQM Implementation
4.5.1.2 Normality Test for the Organizational Performance
4.5.2 Correlation Analysis
CHAPTER 5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
5.2 Conclusion 68
5.3 Summary Based on Objective 69
5.3.1 Summary of Extend Level of Critical Success Factors 69
5.3.2 Summary of the Relationship Between TQM Implementation and Organizational Performance 72
5.4 Recommendation 73
5.5 Limitation of Study 74
5.6 Summary 75

REFERENCES 76
APPENDIX A 80
APPENDIX B 87
VITA 99
LIST OF TABLES

2.1 Criteria Based on Previous Study 20
3.1 Items of Questionnaire 28
3.2 Likert Scale 28
3.3 Sample Size by Krejcie and Morgan 33
4.1 Coefficient of Cronbach’s Alpha (Wahid, 2012) 38
4.2 Reliability Score for Pilot Test 39
4.3 Reliability Score for Actual Research 40
4.4 Years of Implementation TQM 41
4.5 Role in Enterprise 42
4.6 Type of Industries 44
4.7 Numbers of Employees 45
4.8 Level of Mean Measurement (Ismail, 2006) 46
4.9 Leadership Factor 47
4.10 Process Management Factor 48
4.11 Supplier Factor 49
4.12 Customer Focus Factor 50
4.13 Employee Management Factor 51
4.14 Descriptive Statistic for Critical Success Factors of TQM 52
4.15 Operation Procedure 53
4.16 Employee Relations 54
4.17 Financial Performance 55
4.18 The Overall Descriptive Analysis of Organizational Performance 56
4.19 Normality test using Kolmogorov-Smirnov test and Shapiro-Wilk test for the TQM implementation 57
4.20 Normality Test using Kolmogorov-Smirnov test and Shapiro-Wilk test for the Organizational Performance 58
4.21 Strength of Correlation Coefficient Value 59
4.22 Correlations between TQM Implementation and Organizational Performance

4.23 The Relationship between Leadership and Organizational Performance

4.24 The Relationship between Process Management and Organizational Performance

4.25 The Relationship Between Supplier And Organizational Performance

4.26 The Relationship between Customer Focus and Organizational Performance

4.27 The Relationship between Employee Management and organizational performance
LIST OF FIGURES

2.1 Conceptual Framework 23
3.1 Flow Chart Methodology 26
3.2 Research Process 31
4.1 Years of Implementation TQM 41
4.2 Role in Enterprise 43
4.3 Type of Industries 44
4.4 Number of Employees 45
### LIST OF SYMBOLS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME</td>
<td>Small and Medium-sized Enterprises</td>
</tr>
<tr>
<td>TQM</td>
<td>Total Quality Management</td>
</tr>
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<td>BE</td>
<td>Business Excellent</td>
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<td>CSFs</td>
<td>Critical Success Factors</td>
</tr>
<tr>
<td>QM</td>
<td>Quality Management</td>
</tr>
<tr>
<td>QMP</td>
<td>Quality Management Process</td>
</tr>
<tr>
<td>P</td>
<td>Significant Value</td>
</tr>
</tbody>
</table>
CHAPTER 1

INTRODUCTION

1.1 Introduction

Nowadays, quality is the common aspect that should be taken either for a product or service to sustain in the business, especially in the manufacturing sector like Small and Medium-sized Enterprises (SME). It is because quality is the most important factor that can give the higher impact on the business performance. The implementation of the quality can help the company to produce the high quality of the product or services to the customer. Since 1920s, the development of the quality was known as the principles of scientific management swept through U.S industry. Based on the Hawthorne experiments, “it showed how worker productivity could be impacted by participation”.

Quality management is defined as an integrated approach of achieving and sustaining high quality output, focusing on the maintenance and continuous improvement of process and defect prevention at all levels and functions of the organization, in order to meet or exceed customer’s expectation (Technology, Teknologi, & Campus, 2013). In addition, quality management also is one of the competitive advantages that can be used for the manufacturing for sustaining in the business. Total Quality Management (TQM) is refer to the method use to improve the quality and productivity on the business performance. It also involve all the department in the company to work together to achieve the company goal and objective. In Malaysia, SME can be divide into two it is in manufacturing sector and services sectors. SME in manufacturing sector can be defined as sales turnover not exceeding than 50 million or full-time employees not exceed than 200 workers (BNM, 2013). It
is easy to implement TQM in the organization if the whole management play the right roles. By doing that, it can help on increasing organization performance by TQM implementation in organization. The organization must identified the factor that can increase the organizational performance. Indeed, the use of TQM on the SME is the better ways for the company to sustain on achieving their goal and objectives.

1.2 Research Background

This research study is undertaken in several industrials organizations of the manufacturing sector that located at Parit Raja Johor. The company is chosen based on the SME criteria that regarding to this study. The SME in manufacturing sector referring to the number of full-time employees from 5 to 75 employees. Meanwhile, their sales turnover is from RM300, 000 and less than RM15 million. There are several critical factors that are chosen by the researcher to study the CSFs on the organizational performance. Statistical analysis revealed that a number of significant relationships between TQM practices and organizational performance of the manufacturing SMEs (Valmohammadi, 2011). The criteria are including the aspect of leadership, process management, supplier, customer focus and employee management. All of this criteria is selected to look the impact on the organizational performance or need to improve.

Based on the project approve by major industry in food manufacturing in domestic investment show that RM2, 065, 068, 784 in 2016 compare to 2015 with an increase of RM 7, 654, 806 (MIDA, 2016 & 2015). TQM is one of the priorities that should be taken by the companies in order to success. It is because TQM is effect all the factor in producing the products or services especially for SME. The failure on implementation of the TQM is one of the lacks that companies need to overcome. Even though, the process on implementation of TQM need the better planning and observation but it can help the companies to increase external and internal customer satisfaction and reduced the amount of resources. It is because TQM is the best techniques that the company may apply in order to become more competitive in global market.
1.3 Problem Statement

Organization have challenges in order to fulfil the customer demand. The term of “Customer is Always Right” must be follow by the organization to get the loyal and potential customer to buy the product. Thus, this pushes many organizations to shift their manufacturing activities to develop nations and either outsourcing their production to the organization (Patyal & Koilakuntla, 2017). As the SME that have in Malaysia, the organization must have the strong relationship with the customer to have loyal customers. Besides, SME also should have strong capability in the market in order to have the good competitor in the market. Hence, the organization must give attention on the customer focus in order to fulfil the demand.

Other than that, supplier also can give the impact for the organizational performance. It is because supplier is provide the product and service to the organization. The organization must maintain their relationship with the supplier to have the good supplier relationship. Unfortunately, organizations have no effective and strong mutual relationship with their suppliers and they employ traditional methods and approaches on material requirements planning and are unfamiliar with the new methods and thoughts of supply chain management (Valmohammadi, 2011). Thus, to be competitive in the market, the organization need to be introduced and trained to new methods and tools and techniques of TQM (Valmohammadi, 2011).

The other problem that occur is the employees of small firms tend to continue using familiar techniques and avoid learning, assimilating and institutionalizing knowledge within their organization (Nafukho & Graham, 2008). Probably one of the reasons is that, they do not enough, pay attention to the effective use of tools and techniques which stems from the lack of design knowledge and experienced experts in the these organizations and scarcity of financial resources, so the powerful techniques related to design process (Valmohammadi, 2011). These make the employees are not exposed to use the new techniques on managing the quality. Thus, the employees in the SMEs are unaware about the need on TQM implementation in the organization. Indeed, they still use the traditional method rather than using the TQM techniques that are more efficient and systematic.
There are many research about the effectiveness of TQM implementation in the company. However, have conflicting reports have been published regarding the effectiveness of TQM program and authors diverge in the way they perceive the links between quality management practices and performance (Pasin, Montréal, Ét, & Pasin, 2006). This is because the company do not understand about the important of the TQM implementation in organization. Because of that, the misunderstanding about TQM always be a problem for them to implement TQM. So that, this research is conducted to make the organization understand about the important of the TQM implementation in order to improve the organizational performance on SME in Malaysia.

1.4 Research Questions

Research question is developed based on the research objective. The question must be answer in the questionnaire. The following research questions are develop for this study:

i. What is the extent level of critical success factors of TQM implementation in SME?

ii. What is the relationship between TQM implementation and organizational performance in SME?

1.5 Research Objective

The research objective is the important part that must have in the research. The clear objective will help the researcher have the good finding about the research. The following research objectives are develop for this study:

I. To determine the extent level of critical success factors of TQM implementation in SME.

II. To identify the relationship between TQM implementation and organizational performance in SME.
1.6 Research Hypothesis

This research is to look the relationship between the variable that have in this research. Some CSFs hypothesis was develop to show the relationship between the variables.

H1: Leadership has a positive relationship with organizational performance in SME.

H2: Process management has a positive relationship with organizational performance in SME.

H3: Supplier has a positive relationship with organizational performance in SME.

H4: Customer focus has a positive relationship with organizational performance in SME.

H5: Employee management has a positive relationship with organizational performance in SME.

1.7 Research Scope

This study is focus on the TQM implementation in the organization that had in Parit Raja based on the research criteria. The respondent of this research is the employees that work in the factory management, production managers, supervisors, technician and quality managers who are directly involve in the TQM implementation in the organization.
1.8 Research Method

a. Population

The total of population is chosen based on the estimated number of employees that work in the SME. The number of employees that work in the quality department and quality area is less than eight employees for each company. By estimating that only a few of the employees that familiar with the implementation of quality. That is the reasons the research is using 80 number for total population.

b. Sample Size

Research respondent is the workers from the selected SME in manufacturing sector that answered the survey question. The worker or respondent in this research must be someone that work and know about this research. For example, top management, technician, quality control and employees that handle the quality area in the companies. The sample size for this research is 66 respondent respectively. The sample size is chosen based on the Krejcie & Morgan table and based on the population number of worker.

c. Sampling Techniques

For this survey, a non-random sampling were be adopted as a sampling technique. The non-random sampling is used based on characteristic of population and objective of the research. Convenience sampling used to study the target group that have in the quality department in the SME that have in Parit Raja, Johor. This survey will focus on the workers that working in the quality department. Only workers that working in the company can answered the survey. Where, each of the SME will be given the questionnaire and need to complete the survey.
1.9 Research Significant

Overall, this topic is chose to gain the knowledge of researcher and the reading about the positive impact of TQM implementation in organization. This benefit can be used by the organization to implement the TQM in organization. Besides, at the end of study, this research can be used as a guide for the organization to implement TQM in the organization.

1.10 Summary

This chapter give an overview of the critical success factors of TQM implementation in the organization. The aspect are including of the company leadership, process management, supplier, customer focus and employee management. Thus, the implementation of TQM can improved organizational performance.

Besides, the critical success factors that chosen gave the high impact on the organizational performance. The TQM also gave the positive extent impact on the organizational performance in the SME that have around Parit Raja, Johor and also all over the Malaysia. Other than that, the research also can help the organization to improve the organizational performance from inside and outside of the company.
CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In chapter one, the study is about the introduction that would be conducted in this research. Meanwhile, in this chapter the studies are focus on the literature review. Literature review is about reading and finding about the related sources towards the element that important to this study. The aspect that have in the previous studies are:

- The Early Theory of TQM
- Definition of TQM
- Critical Success Factors of TQM
  - Leadership
  - Process Management
  - Supplier
  - Customer Focus
  - Employee Management
- Performance of SMEs
- Positive Impact of TQM Implementation on Organizational Performance
- Conceptual Framework and Hypothesis
2.2 The Early Theory of TQM

In the early 1950’s, quality management practices developed rapidly in Japanese plants, and become a major theme in Japanese management philosophy, such that, by 1960, quality control and management had become a national preoccupation (“The Evolution of Quality,” 1970). In 1969 the first international conference on quality control was organized, in a paper given by Feigenbaum, the term “total quality” was used for the first time, and referred to wider issues such as planning, organization and management responsibility (“The Evolution of Quality,” 1970).

Total quality management (TQM) and business excellence (BE) have been the most popular approaches used by enterprises to improve performance and to achieve quality and excellence since the 1980s (Fu, Chou, Chen, & Wang, 2015). Many research uses TQM to identify the impact of TQM implementation of the organizational performance. Unfortunately, there are still a lack of knowledge about the TQM implementation in the organization, especially small and medium-sized company.

Even though, TQM seem like a simple technique, but there is still a lack of TQM implementation in the SME. Therefore, it is important to discover and identify a particular quality and its implication (Mahmud & Hilmi, 2014). By discovering it can help to improve and achieve the organizational performance in the SME. It is because, TQM is an integrated approach, consisting of principles and practices, whose goal is to improve the quality of an organization’s goods and services through continuously meeting and exceeding the customer’s needs in most competitive ways (Mahmud & Hilmi, 2014). Many companies across different nations have built their competitiveness by following TQM principles (Dhall, 2015). Thus, it is a need for the SME to ensure that TQM implementation is success in the organization.
2.3 Definitions of TQM

Total Quality management (TQM) is defined as a holistic management philosophy that requires organizational culture change (Fu et al., 2015). Total quality management (TQM) is a firm-wide management philosophy of continuously improving the quality of the products/services/processes by focusing on the customers’ needs and expectations to enhance customer satisfaction and firm performance (Sadikoglu & Olcay, 2014). It was found that TQM has a significant positive effect on business performance (Gimenez-espin, Jiménez-jiménez, & Martínez-costa, 2013). These show that, TQM is very important to the organization to increase their performance and also help to improve the factor related.

Besides, there is also have the different definition of TQM in other literature review. It defines quality as the degree to which a set of inherent characteristics (distinguishing feature) fulfills the requirements (need or expectation that is stated, generally implied or obligatory) (Neill, Sohal, & Teng, 2016). The organization can use TQM to identify the need that the customer wants to get the positive effect. For example, companies in general use such a quality strategy in an effort to develop “perceived quality” in the mind of existing and potential customers (Neill et al., 2016). TQM can help organizations produce the product based on the customer demand. The result found that leadership plays an important role in enhancing organizational performance, however, these organizations encounter some obstacles in fully utilizing some TQM criteria, namely, tools and techniques and suppliers (Valmohammadi, 2011).

Other than that, TQM also can help organization reduces the amount of waste product. It is because there is a systematic technique that have in TQM help the organization manages their production. Using the systematic approach of TQM can cut the cost of production like rework and defect product produces. Besides, this should then result in reduced rework, improved use of time and materials, and ultimately an improvement in total plant productivity (an argument supporting TQM practices) (Neill et al., 2016). TQM makes all the activity in the organization more competent and systematic. It is because TQM has proven as the best techniques that are very suitable to improve the productivity in the organization.
2.4 Critical Success Factors of TQM

Critical success factors (CSFs) are the factors that guarantee the successful implementation of TQM (Jaafreh & Al-abedallat, 2013). Many studies have attempted to synthesize different quality management practices into a meaningful set of CSFs to help users conceptualize the QM concepts more easily (Jaafreh & Al-abedallat, 2013). The organization must identify several critical success factors to ensure that the factor is suitable and can improve the organization performance. The identified practices include: leadership, strategic quality planning, employee management as well as involvement, customer focus, supplier management, process management, continuous improvement, information and analysis, knowledge and education (C. V. Fotopoulos & Psomas, 2010).

Other than that, there are 16 critical factors that were identified, which top management support, customer focus, strategy, benchmarking, employee involvement, recognition and award, analysis of problem, quality technologies, service design, services capes, service, culture, social responsibility, human resource management, continuous improvement, quality department and quality systems (Authors, 2007). It is important to note that the QMP taken in this study are termed as critical success factors of TQM that can help organize to attain business excellence (Talib & Rahman, 2010).

On the basis of structural equation modeling (Sit, Lin, & Chong, 2009) investigated the impact of QMP on customer satisfaction in the context of Malaysian service organizations and the analysis showed that leadership, information analysis, human resource and customer focus are positively related to customer satisfaction in service organizations. Further analysis in this context strongly supported human resource focus and information analysis as the most crucial practices that influence satisfaction level of the customer (Sit et al., 2009).

Meanwhile, in the journal “Critical Success Factors For TQM Implementation And Their Impact On Performance Of SMEs” shows that the CSFs for TQM implementation in the SMEs are management, leadership, continuous improvement system, measurement and feedback, improvement tools and techniques, supplier quality assurance, human resource development, systems and processes, resources, education and training, and work environment and culture (Salaheldin, 2009).