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**Addis Ababa University**  
**College of Business and Economics**  
**Department of Management**  
**MSc in Management Program**  
**Specialization in Quality Management and Organizational Excellence**

**THE EFFECT OF TOTAL QUALITY MANAGEMENT PRACTICES ON THE  
PERFORMANCE OF SELECTED PRIVATE BANKS OPERATING IN ADDIS  
ABABA**

**A Thesis submitted to Addis Ababa University College of Business and Economics in  
partial fulfillment of the requirements for the Master of Science (MSC) degree in  
Total Quality Management and organizational excellence.**

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## **Declaration**

I, the undersigned, declare that the thesis entitled *“The Effect of Total Quality Management Practices on the performance of selected private banks operating in Addis Ababa”* is my original work and has not been presented for a degree any other university. All sources of materials used for the thesis have been properly acknowledged. It is offered for the award of the degree of Master of Science in management specializing in Total Quality Management and Organizational Excellence from Addis Ababa University

Name Dr. Meskerem Mitiku

Signature



## Statement of Certification

This is to certify that the thesis prepared by Zemenu Walle entitled: *The Effect of Total Quality Management Practices on the performance of Selected Private Banks Operating in Addis Ababa* and submitted in partial fulfillment of the requirements for the degree of master of science in management Specialization in Total Quality Management and Organizational Excellence compiles with the regulation of the university and meets the accepted standards with respect to originality and quality

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## **Acronyms and Abbreviation**

**TQM** : Total Quality Management

**BP**: Business Performance

**AIB**: Awash International Bank

**BOA**: Bank of Abyssinia

**DB**: Dashen Bank

**NBE**: National Bank of Ethiopia

**KCB**: Kenyan Commercial Bank

**TLMC**: Top Level Management Commitment

**CI**: Continuous Improvement

**EI**: Employee Involvement

**CF**: Customer Focus

**OP**: Operational Performance

**MS**: Market Share

**EP**: Employee performance/Satisfaction

**CS**: Customer Satisfaction

**NPP**: Normal Probability Plot

**VIF**: Variance Inflating Factor

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## **ABSTRACT**

*The major aim of the research paper is to measure the effect of total quality management practices on the performance of selected private banks operating in Addis Ababa. Because of the dynamics of competitive advantages used by service rendering organizations particularly banks and there is no research conducted on the issue in question the researcher was interested to test and assess the effect of total quality management practices on the performance of banks by focusing on four Total quality Management practices (Top management commitment, Customer focus, Employee involvement, and Continuous improvement) were used to measure the performance (Operational performance, Customer satisfaction, Employee Satisfaction, and Market share) of three different banks at a branch level. In order to achieve the aims, mixed method of research with concurrent research design and primary sources of data were used. The data were collected through self-administered questionnaire. Purposive sampling procedure was used to collect data from branch managers; Sampling formula ( Slovin's formula ) was used to determine the sample size of branch employees. Multiple regressions model and correlation were used to investigate the relationship between dependent and independent variables. The regression test showed that selected practices of TQM have positive effect on performance of selected private banks operating in Addis Ababa. The correlation result indicates that there is a positive correlation between selected practices of TQM and performance of selected private banks operating in Addis Ababa. The research provides that Top management commitment, Customer Focus, Continuous Improvement and Employee Involvement plays the most important role in the performance of banks. The research finding also indicate implementing total quality management practices increase the performance of banks in turn leads to operational performance, customer satisfaction, better market share, and improved employees satisfaction.*

**Keywords:** Total Quality Management Practices, Top management commitment, Customer Focus, Continuous Improvement and Employee Involvement. Performance, Private Banks

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# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

The 21st century can be termed as century of quality under the essence quality is degree of excellence which is not an art rather it is a habit that can be changed over time (Charantimath, 2017). Different scholars define the term quality in different words from different perspective and for different sectors at different time. So, *quality* can be defined as "the extent to which a set of inherent characteristics fulfills requirements," according to ISO 9001:2008 ( Mallayan S. U. 2005).

*Quality management* is the systematic method and set of procedures used by an organization to guarantee that its goods and services continually meet or surpass the expectations of its clients. It entails a variety of procedures, methods, and equipment with the goal of achieving and upholding high standards of quality throughout the organization (Juran and Feo 2010).

There is no universally accepted definition of TQM. Different scholars define Total Quality Management from different perspectives ( Bouranta, 2019; Mayaza et al 2017 ) but all definitions given by different authors have similarity in essence and utilize similar focus areas like continuous improvement, customer satisfaction, involvement of all employees, commitment from top level managers and employees, adoption of cultural and organizational change, team work, and empowering employees as precondition for long term success ( Talib, 2013; Charantimath, 2017;Tanden and Thakur, 2012; Ayodeji et al 2021; Al-Dhaafri, H. S., & Alosani, M. S. 2022).

The researcher adopt the definition stated by E. Sadikoglu and H. Olcay (2014) in their research work stated as “*Total Quality Management* 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 customers satisfaction and firm performance”.(E. Sadikoglu & H. Olcay 2014). Therefore Total quality management can be seen as a management

philosophy that is based on principles and practices which lead to business excellence through performance ( Bouranta et al 2019 ).

The evolution of total quality management started with inspection and pass through quality control, quality assurance and finally total quality management which focuses on continuous improvement and quality performance of an organization as a whole( Charantimath, 2017). Now a day business organizations are striving to exceed competitors in a stiff competitive environment and Total quality management is one means of exceeding others ( Hammington 2005 ).Total quality management first practiced in the manufacturing sector latter it shift to the service sector including banking (Charantimath, 2017; Bouranta et al, 2019; Talib et al, 2012: Al-Shobaki et al 2010; Talib, 2013).

The application of TQM in the banking sector is recent phenomenon and the result of it shows good performance by banks after implementation( Talib et al 2012 ) through improving service quality, ensuring employees job satisfaction, and by implanting good customers' perception of service performance( Cheung, M. F., & To, W. M. (2010).

Excellent organizational performance on a global scale is essential for keeping organizations ahead of the competition (Ubaid et al 2020). Organizational excellence refers to improved performance over a sustained period of time, with different performance determinants depending on the industry (Bouranta et al. 2019). Organizational excellence requires long-term projects or consistently improving performance (Ubaid et al. 2020).

Even though there are a number of businesses in Africa that have excelled at putting Total Quality Management (TQM) ideas into practice like Safaricom Limited in Kenya, which has established a strong quality management system, emphasizing process improvement, data-driven decision making, and employee involvement to improve operational efficiency, customer service, and product innovation (Oriare, S. D. 2011). there is no evidence in Ethiopia that demonstrate the effect of total quality management practices on the performance of private banks in particular.

## **1.2. Statement of the Problem**

Implementing Total quality management than traditional may save organizations from bankruptcy in the 21<sup>st</sup> century because they are operating in tough competitive environment ( Charantimath, 2017). This is also true to banking industry operating in Ethiopia.( Mengesha 2016 )

There is evidence ( Charantimath, 2017) that the concept and idea of Total Quality Management were formalized based on the foundations of the work done over the last few centuries. And it evolves from many different management practices and improvement processes. Total Quality Management has its genesis in the factory system that developed as an outcome of the industrial revolution due to this reason most of the studies on TQM have been undertaken in the manufacturing sector and have later spread to service organizations ( Talib 2013).

Many studies have proved that the excellence of banks is significantly and positively linked with the bank service quality, customer service quality, online/e-service quality, and automate service quality and to achieve all this in the Banking sector, Application of different TQM practices is highly essential ( Talib et.al, 2012 ).

While TQM has been extensively studied in various industries, there is a scarcity of empirical research specific to the banking sector. The researcher is interested to conduct this research only on private banks it is because there is evidence that government owned bank which is known as Commercial Bank of Ethiopia already implement TQM and the effect was evaluated too plus private banks in Ethiopia are operating with pressure by the intervention of government through frequent rules and regulations ( Asnakech, 2013).

Out of 30 commercial banks operating in Ethiopia Awash International Bank, Bank of Abyssinia, and Dashen Bank are selected for this study purpose because they were Market leaders in terms of profit, capital, and resource mobilization among private banks before the end of last year (Hanna T 2023).The selection of banks has also take in to account some special features like free from endowment and banks that are not owned by political parties the above selected banks are free from this kind of features.( Asnakech 2013 ).

Private Banks that are operating in Ethiopia particularly in Addis Ababa would face competition in the future it is because the Ethiopian Council of Ministers approved the draft policy

proclamation to liberalize the banking sector in September 2022 allowing foreign banks to acquire up to 30 percent of share in local banks. Kenya's KCB Group shows interest to invest in the banking sector (Hanna T 2023). Therefore this study is conducted to identify those influential Total Quality management practices that have great impact on performance at three selected private banks operating in Addis Ababa and infer the result to other potential local private banks operating in Addis Ababa.

TQM focuses on improving customer satisfaction and loyalty, which are crucial factors for banks' success. Investigating the impact of TQM on customer satisfaction and loyalty in private banks could provide valuable insights for performance improvement.

TQM emphasizes employee involvement and empowerment. Examining the relationship between TQM practices and employee engagement and satisfaction in private banks could shed light on the role of TQM in enhancing bank performance.

Although there are many studies on the issue of TQM there is no research found on the effect of total quality management practices on the performance of three different private owned commercial banks that are operating in Addis Ababa,

There is literature gap there are some studies so far done focused on the effect of TQM on manufacturing type of organizations from competitive advantage point of view where as in this study the researcher is interested to study the effect of TQM practices on the performance of private owned banks which is in the service sector. It is because banks being a service oriented organization cater to the customer belonging to all sections of society and predominance of the service industry motivates the researcher to conduct study on banking sector. (Sandeep & Anuradha 2012).

In Ethiopia a little change in banking service has the tendency to be matched by competitors quickly ( Shanka, 2012 ). So, the researcher is interested to identify those practices which contribute much on the performance of banking service in Addis Ababa and to recommend caution to those banks under study.

Good is no longer good enough particularly in a stiff competitive service industry like banking where exceeding is mandatory to survive so conducting research on the effect of TQM practices on performance in the banking sector is found vital by the researcher.

The objective of this study is to assess and test the effect of TQM practices on performance of selected private banks and to infer positive results to those banks that are not considered in this study. Sustainable organizational excellence should consider factor that affect the performance of the organization ( Mohamad N. & Rokaya 2017 ). For the purpose of this study, practices of total quality management include (Top level management commitment, Customer Focus, Employee Involvement, and Continuous Improvement) to measure their effect on banks' performance (Operational performance, Market Share, and employee satisfaction) and Customer's Satisfaction.

### **1.3. Research Questions**

The study attempted to answer the following research questions

1. What is the effect of having continuous improvement on the performance of Banks?
2. How employees' Involvement contribute to performance of Banks?
3. What is the relationship between focusing on customers and performance of banks?
4. How top level management commitments contribute for the performance of Banks?
5. What is the effect of employee involvement on the performance of banks?

### **1.4. Objectives of the study**

#### **1.4.1. Major Objective**

The major objective of this study was to assess and test the effect of selected Total Quality Management practices on the performance of three private owned banks operating in Addis Ababa.

#### **1.4.2. Specific Objectives**

The following are specific objectives of the study:

- A. To test the effect of continuous improvement on the performance of Banks.
- B. To describe the relationship between employee commitment and performance of Banks.

- C. To understand the contribution of focusing on customers for the performance of Banks.
- D. To explore how top level management commitment contribute for the performance of Banks.
- E. To understand the contribution of employee involvement on performance of banks

### **1.5. Significance of the study**

The finding of the research can provide valuable insight to private banks on the effectiveness of implementing TQM practices. It can help them understand how TQM practices such as manager commitment; continuous improvement, customer focus, and employee involvement impact their overall performance. This knowledge can guide banks in making information regarding the adoption and implementation of TQM.

The research can shed light on the specific TQM practices that have a significant positive impact on the performance of private banks. By identifying the key drivers of performance improvement, banks can focus their resources and efforts on implementing those practices more effectively. This can lead to enhanced operational performance, customer satisfaction, improved market share and better employee performance.

Understanding the relationship between TQM practices and performance can give private banks a competitive edge. By implementing effective TQM practices, banks can differentiate themselves from their competitors and attract more customers.

The research can provide to existing body of knowledge in the field of TQM and banking. It can provide empirical evidence on the relationship between TQM practices and bank performance, adding to the theoretical understanding of this topic. This can be valuable for future researchers and scholars interested in studying the impact of TQM practices in the banking sector.

### **1.6. Delimitation/Scope of the Study**

This study focuses on the effect of Total quality Management practices on the performance of Awash International Bank, Bank of Abyssinia, and Dashen Banks'. The results obtained from this research are specific to the bank industry. Because of constraints the researcher decided to conduct the research only on three banks out of thirty private owned banks in Ethiopia that are operating in Addis Ababa.

## **1.7. Limitations of the study**

The finding of the research conducted on a specific set of private banks cannot be applicable to all private banks. The result influenced by the sample size and characteristics of the banks included in the study, limiting the generalizability of the findings.

Integrating qualitative and quantitative data was challenging, as this method follow different paradigms and have distinct data analysis techniques. The researcher struggle to effectively mix and compare the result obtained from both methods.

Private Banks have different performance measure, making it challenging to compare and generalize the findings across different banks. Standardizes performance measures should be carefully selected or developed to ensure consistent and comparability. The researcher faces limitation in terms of access to private banks and the size of the sample. This affect the generalizability of the findings.

## **1.8. Definition of terms**

### *Service quality*

Is the ability for the service provider to match expected service with perceived service to achieve customer satisfaction (Jhhnson et al 2018). It is prerequisite for Total Quality Management ( Talib et al 2012 )

### *Total Quality Management*

Different scholars define the term total quality management from different perspectives therefore there is no universally accepted definition of total quality management.( Bouranta et al 2019 ). The following are definitions selected for this research context.

- A. Total quality management is the practice of integrating different functional units of an organization in order to improve performance in a continuous manner to meet an identified need and organizational objectives by insuring long term sustainable organizational success. ( Charantimath, 2017).
- B. TQM is characterized as an all-encompassing management concept that places an emphasis on continuous development and overall quality in every part of the business, from supplying to customer services Yazdani, B. (2022).

C. TQM is described as a holistic management philosophy that aims for continual improvement in all organizational functions. This can only be accomplished if the total quality idea is applied from resource procurement to post-sale customer service (Kaynak, H. 2003).

According to the definition provided above, TQM is a comprehensive strategy that emphasizes continuous improvement and helps to raise the effectiveness, efficiency, quality, and competitiveness of the entire organization.

#### *Quality Management*

The Quality Management concept places a strong emphasis on staff engagement and ongoing development to go above and beyond what customers demand Yazdani, B. (2022).

#### *Performance*

From the perspective of the banking industry, a bank's or financial institution's performance is defined as its capacity to meet its goals and provide value to its stakeholders. It includes a variety of factors, including monetary success, operational effectiveness, risk management, client happiness, and legal compliance (Bonin J. et al 2005).

### **1.9. Organization of the Study**

The organization of this study begin with introduction followed by review of the related literature; research design and data collection; analysis and interpretation; and findings, conclusions, and recommendations for chapter one, Two, Three, Four, and Five respectively.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Introduction**

This study bases the available relevant literature of TQM practices and its effect on performance in the banking sector in general and three selected private banks in particular. This chapter focuses on identifying practices of TQM then conducting theoretical literature review on major management practices in relation to TQM practices followed by empirical literature review on the practices of Total quality management to discover their effect on the performance of three selected private banks operating in Addis Ababa.

In order to shed light on the subject at hand, this chapter critically evaluates the body of prior research and establishes a conceptual framework. Before undertaking in-depth study or focused analysis on the effect of TQM practices in the service business, notably in the private banking sector operating in Addis Ababa in particular, it is crucial to understand these general concepts and theories.

The chapter begins with the essence and evolution of TQM and its practicability in the service industry particularly in the banking sector followed by description of banking in Ethiopia then theoretical literature review on basic theories of management and empirical literature review on practices of TQM, finally based on the review literature conceptual framework for the study will be proposed. The effect of implementing TQM practices on the performance of businesses and organizations is a widely discussed topic in the literature this study targets journals, text books, and other publications including magazine that contain information on various practice of TQM in the context of banking.

#### **2.2. Service quality and Total Quality Management**

Although there isn't a consensus on what exactly constitutes service, services have been described in a variety of ways (Talib, 2013). Service, according to Kotler (1993), cited in Talib F. (2013), is any type of performance that one party can provide to another that is essentially intangible and does not result in the ownership of anything with the characteristics of intangibility, inseparability, perishability, and variability with a purpose to satisfy customers' needs.

And service quality is the ability for the service provider to match expected service with perceived service to achieve customer satisfaction (Johnson et al 2018). Particularly for banking quality is not just meeting customers' expectation rather it is about exceeding customers' expectation ( Talib et al 2012 ). Offering quality services give a sustainable competitive advantage to any business on a consistent basis (Kahn et al 2014).Service quality is a prerequisite for TQM ( Talib et al 2012 ).

Total Quality Management encompasses both soft and hard dimensions. The soft dimensions of TQM focus on the people and cultural aspects that promote a quality focused environment within an organization. While the hard dimensions focus on the technical and process related aspects which may use tools and techniques such as performance indicators to monitor and evaluate quality performance. Top level management commitment, employee involvement, leadership, training and development, communication, customer focus are examples of soft dimension of TQM practices on the other hand hard dimensions of TQM includes process management, continuous improvement, product /service design, and quality control and assurance (Ali, K., & Johl, S. K. 2022; Oakland, J. S. 2014; and Pambreni et al 2019).

The soft and hard components of TQM are linked and mutually supportive of one another. The hard dimensions offer the tools and strategies needed to accomplish quality goals and objectives, while the soft dimensions concentrate on developing a supportive culture and motivating personnel. Soft dimensions of TQM are required in order to implement hard dimensions of TQM. The balancing of these factors and their incorporation into the organization's overall strategy are necessary for successful TQM implementation (Ali, K., & Johl, S. K. 2022).

The components of TQM are not generally agreed upon (Corredor & Goni, 2011); the variables or components employed depend on the objectives of the firm (Munizu, 2013). As a result, some research concentrated solely on the general management philosophy of TQM, while others exclusively addressed the technical side. Thus, the researcher choose three soft dimensions and one hard dimension of TQM aspects that satisfy this study objectives and provide a holistic perspective were discovered after studying a sample of the literature. This includes Soft dimension (top management commitment, customer focus, employee involvement) and from hard dimension (Continuous improvement) (Baye and Raju R, 2016).

### **2.3. Theoretical Literature Review**

There are several theoretical models that can be used to study TQM practices. Here are a few commonly referenced models for this study:

#### **A. Deming's System of Profound Knowledge**

Famous statistician, engineer, and management consultant Dr. W. Edwards Deming made a tremendous impact on the discipline of total quality management (TQM). Many TQM practices have been developed and put into practice all over the world thanks to Deming's theories and tenets (Anderson, J. et. al 1994).

The paradigm, created by W. Edwards Deming, emphasizes the idea of knowledge, psychology, variety, and understanding of systems. It offers a comprehensive method for implementing TQM Stepanovich, P. L. (2004). The Deming management approach is based on a theory of quality management, although at the moment, this theory is only given as 14 prescriptive statements. (Anderson, J. et. al 1994).

#### **B. Juran's Trilogy**

This model emphasizes the significance of defining quality goals, monitoring performance, and continual improvement. It was developed by Joseph Juran and consists of three interconnected processes: quality planning, quality control, and quality improvement Bisgaard, S. (2007).

#### **C. Baldrige Excellence Framework**

The US National Institute of Standards and Technology (NIST) established the Baldrige framework, a thorough model. It gives organizations a set of benchmarks to use when evaluating their performance across a range of domains, such as leadership, strategic planning, customer focus, measurement, analysis, and knowledge management (Bailey, D. 2015).

#### **D. European Foundation for Quality Management Excellence model**

The EFQM model offers a framework for evaluating and enhancing organizational performance. Leadership, strategy, people, relationships, and procedures are among the nine factors that are highlighted.

In addition to the above theoretical models the following theories are examined to evaluate the effect of Total Quality Management practices on the performance of service industry in selected

three private banks in particular. Implementing management theories can assist improve organizational productivity and service standards. The status of total quality management (TQM) in relation to theory is explored by Dale et al. (2001). The results of his exploratory analysis indicate the following: TQM is still in the early stages of theory development; TQM tends to be seen as a subset of operations management rather than an academic discipline in and of itself; however, this perception is changing and TQM is becoming established as an independent discipline; and the works of international quality management experts like Crosby, Deming, Feigenbaum, and Juran have provided the foundation for the advancement of TQM theory. It is also noted that more work needs to be done before TQM can reach the stage of 'refine/extend' in the theory-building process and that, in order to broaden the scope of TQM theory, appropriate management theories must be incorporated into its development (Dale et al 2001). The following are some basic theories selected to this study.

### **2.3.1. Total Quality Management (TQM) Theory**

Wilkinson and Wither created the TQM hypothesis in 1990. This idea contends that many stakeholders who purchase or utilize the company's goods and services are the only ones who can accurately assess their quality. The board of the company, clients, and employees of the firm are possible stakeholders. Firm managers are urged to encourage their staff to identify the firm's internal and external stakeholders as well as the criteria each stakeholder uses to evaluate whether the firm's products and services meet customer expectations. According to this theory, a set of customer-based practices should be developed with the ultimate purpose of fostering customer pleasure and loyalty. These practices should aim to promote process improvement, reduce costs, and improve quality. consumers that are satisfied act as brand ambassadors and bring in new consumers, increasing the clientele, the market share, and ultimately the effectiveness of the entire organization (Oakland, 2003).

The TQM philosophy acknowledges that TQM principles apply to both manufacturing and service businesses equally. This is true notwithstanding there is distinctions between manufacturing and service enterprises in terms of their organizational structure, geographic reach, and definition. The output can be either goods or services, and as they demand resources like money, physical facilities, equipment, and human resources, quality control procedures are necessary. ( Yang, 2006). According to this notion, the level of performance is judged on how

the consumer perceives the quality of the service. The TQM theory is pertinent to this study since it promotes the development of a set of Managers, employee, and customer-based practices designed to boost process improvement, reduce costs, and improve company quality. The ultimate purpose of putting these practices into practice is to assess and test the performance of the banking industry.

### **2.3.2. Theories related with Management Commitment**

A key element that has a substantial impact on bank success is management commitment. Theoretical underpinnings supporting the link between managerial commitment and bank performance include the ones listed below. Several potential theoretical stances are listed below:

#### *Agency Theory*

According to this view, management commitment is essential for bringing shareholders' and managers' interests into alignment. Managers are more likely to make decisions that maximize shareholder value and improve overall performance when they are committed to the success of the bank ( Jensen et al , 1976 ).

#### *Transformational Leadership Theory*

This idea places a strong emphasis on the part that managers play in inspiring and motivating staff members to deliver outstanding work. Through the instillation of a feeling of purpose, the creation of a supportive work environment, and the encouragement of innovation and continual improvement, management commitment, as a type of transformational leadership, can favorably impact bank performance ( Bass et al 2006 )

#### *Stakeholder Theory*

This idea contends that enhanced bank performance can result from management commitment to a range of stakeholders, including clients, staff, and the community. Banks may improve customer satisfaction, recruit and retain competent staff, and establish a good reputation in the market by putting stakeholder interests first and upholding solid connections.

### **2.3.3. Theoretical Bases for Customer Focus**

According to Dean and Bowen (1994), the fundamental idea that ensures businesses' success through customer happiness is customer focus. Because of this, the customer is at the center of all TQM efforts. In addition, focusing on customers encourages an organization to act morally (Yusuf et al., 2007). To do this, businesses need a robust feedback system that allows them to constantly assess consumer needs and promptly respond to customer concerns (Talib et al.,

2010). Several theoretical foundations support the impact of customer focus on bank performance. Here are some important theories. These ideas offer a theoretical framework for comprehending the beneficial effects of customer focus on bank performance. Plus this theory provides frameworks for identifying customer requirements, measuring customer satisfaction, and delivering superior customer value. TQM places a strong emphasis on understanding and meeting customer need and expectations.

#### *Service Quality Theory*

According to this hypothesis, offering consumers high-quality services increases their contentment, loyalty, and good word-of-mouth, all of which help banks operate better overall ( Parasurman et al 1985).

#### *Relationship Marketing Theory*

Building trusting, long-lasting connections with clients through personalized interactions and the sharing of rewards has a favorable impact on bank performance, according to this notion. Customer focus is essential for creating and preserving these connections (Gronroos, C. 1994).

#### **2.3.4. Theoretical Bases for Employee Involvement**

Involvement of employee is crucial for the successful achievement of organizational objectives. Cavallone and Palumbo (2022) conduct a research on the involvement of employees and the effect on employee commitment and the finding shows that involvement of employees has marginal contribution towards individual commitment to organizational performance. And they suggest that Organizational dynamics can be challenged by the involvement of employees either through training or by fostering motivation (Cavallone, M., & Palumbo, R. 2022). A research conducted in the banking industry of Pakistan shows that involvement of employee lead to motivation and commitment thorough incentives which lead to improvement on the performance of employees (Iqbal et al 2013). Theoretical literature reviews related with employee involvement provide insights into motivating and engaging employees, fostering a culture of teamwork, and promoting employee participation in decision making processes. TQM theories emphasize the importance of involving and empowering employees in quality improvement initiatives. The following are theoretical foundations that can be used to understand how employee involvement affects bank performance.

### *Psychological Empowerment Theory*

According to this notion, workers are more likely to be motivated and deliver better work when they feel empowered and have a sense of autonomy, competence, and impact in their work. Employee participation gives staff members the chance to use their decision-making abilities, which can increase their psychological empowerment and ultimately boost performance ( Spreitzer, 1995 ).

### **2.3.5. Theories Related with Continuous Improvement**

TQM draws heavily from the concept of continuous improvement which involves systematically identifying and eliminating waste, defects, and inefficiencies in process. It magnifies the need for ongoing learning, innovation, and incremental improvements at all levels of the organization It rooted Deming's PDCA Cycle and KAIZEN. "Continuous improvement is the philosophy that seeks to make never-ending improvements to the process of converting inputs into outputs," claim Iruobe et al. in 2012. To further clarify, the main idea is that everyone in the company should constantly strive for development in order to reach the organization's purpose through satisfying consumer needs. Japanese word kaizen is sometimes used interchangeably with the phrase continual improvement (Abusa, 2011). The Shewhart-developed "Plan, Do, Check, Act" (PDCA) model can be used to describe the cycle of kaizen activities (Stemberg et al, 2001). Ethiopia embraced the 5S principles of Kaizen with the aid of JICA in order to enhance workplace traffic flow, balance assembly lines, enhance workplace layouts, and maximize space utilization (Hosono et al 2020). Numerous theoretical foundations promote continuous improvement in the context of Total Quality Management (TQM) practices in banks. Understanding the connection between TQM practices and bank performance is made possible by these pillars. Here are some important theoretical foundations. These theoretical foundations offer a framework for comprehending the connection between ongoing TQM practices improvement and bank performance. They emphasize the value of an all-encompassing strategy, employee engagement, customer focus, and process efficiency.

Based on the above theoretical bases and as Conti, T. A. 2007 stated the following are independent variables as the practice of TQM (Top level management commitment, Customer Focus, Employee Involvement, and Continuous Improvement). The researcher is interested to assess and test their effect on the performance (Operational performance, Customer satisfaction,

Employee satisfaction, and Market share) to three selected private banks operating in Addis Ababa.

## **2.4. Empirical Literature Review**

Numerous empirical studies have looked at how TQM practices affect bank performance. Here are a few major conclusions. In Taiwan, Chien and Tsai (2012) looked into the connection between TQM procedures and bank performance. They discovered that TQM techniques including customer focus, employee engagement, and process improvement had a beneficial impact on bank performance measures like return on assets and return on equity.

In their study of Australian banks, Kaur and Sharma (2014) discovered that TQM practices, including as leadership commitment, employee involvement, and customer focus, had a favorable impact on financial performance metrics like profitability and market share.

Using TQM techniques, Yusof and Aspinwall (2000) looked at how Malaysian banks performed. They discovered that TQM procedures like staff training, customer focus, and continuous improvement have a favorable effect on client, employee, and financial performance.

In a study on Yemeni banks, Al-Matari et al. (2014) discovered that TQM practices, such as top management commitment, employee involvement, and customer focus, had a beneficial impact on bank performance metrics like client satisfaction, service quality, and financial performance. This study is concerned on some selected TQM practices (Top level management commitment, Customer Focus, Employee Involvement, and Continuous Improvement) to check their effect on the performance of selected private banks operating in Addis Ababa. Here below are empirical evidences for the effect of selected independent variables on performance.

### **2.4.1. The Effect of Top level Management Commitment on Performance**

One of the most frequently stated key success factors (CFS) in the study of TQM is top management commitment. (Saraph et al., 1989; Flynn et al., 1994; Ahire et al., 1996; and Motwani, 2001) of through these researches, senior management commitment and support were as one of the essential success factors for TQM.

The attempt to improve the quality should include participation from and evaluation of top management. Overall, the top manager's role as a leader is to demonstrate their commitment to quality and their consistency of purpose (Deming, 1986). Top management commitment needs to be dedicated throughout the long term. Top management must provide training, explain

organizational values and cultures, and make resources available to increase process effectiveness and efficiency in order to effectively adopt TQM.

According to Motwani (2001), TQM may be compared to building a house, and top management commitment is crucial because a house needs a solid foundation to stand on. In other words, a strong foundation is necessary for the construction of a wonderful house. Once we have a solid foundation, we should focus on the various pillars of a house, including supplier relationships, customer focus, process management, and people management and training.

Quality should be the main topic of discussion at all meetings and in all communications in this situation the manager serves as a coach, facilitator, or support for the workforce. Leadership and dedication among top management are the capacity and duty to internal operations should be focused on meeting client needs (Deming, 1982). In 1999, Samson and Terziovski demonstrated a significant link between senior management commitments and Additionally, Shenawy et al (2007) discovered a high correlation between competitive advantages.

Top management commitment is so chosen for this study as one of the independent factor that has an impact on performance. There have been several significant areas of investigation into the prospective empirical literature on managerial commitment and its effect on bank performance. The following are some of the areas overview for the topic in question.

#### *Management Commitment and financial performance*

The relationship between management commitment and financial performance metrics for banks like profitability, return on assets (ROA), return on equity (ROE), and stock market performance is examined in this area of research.

#### *Management Commitment and Customer Satisfaction*

Investigating how managerial dedication affects client happiness and adherence in the banking sector. This study may examine elements including service caliber, responsiveness, and customer-centered procedures.

#### *Management Commitment and Employee Performance*

Studying how management commitment affects staff productivity and engagement in banks. This study may concentrate on elements like organizational culture, employee motivation, and leadership styles.

### *Management commitment and Risk Management*

Examining how management support promotes innovation within banks. The function of management assistance in fostering innovation, idea development, and creative thinking may be explored in this study.

#### **2.4.2. The Effect of Customer Focus on Performance**

All banks should acknowledge their customers' needs as the primary reason for their existence and do everything in their power to maintain positive relationships with customers, employees, businesses, and society at large in order to achieve continuous improvement in the banking industry (Ali and Shastri, 2010). Rivals pose a threat in any situation where there is competition. Only if we are skilled at controlling our clients' emotions we will be able to maintain a joyful and pleased customer relationship. Make sure that everyone who accesses moment of the truth accepts the clear needs of each customer. Customer focus must be the primary goal of any organization, regardless of the best guarantee it may be using to ensure its existence and maximize its profits. Ou et al. (2010) claims that determining customer needs is the first step in setting quality objectives for organizations. Additionally, quality planning and execution start with a focus on customer demands and finish when those needs are met. TQM organizes future actions, manages everyday activities, and uses planning to accomplish the company's long-term objectives. It does this by combining customer knowledge with other information. Customer focus is advantageous to the business since it boosts customer loyalty, revenue, and market share, as well as resource efficiency (Kebs, 2008). Due to the homogeneity of the financial service, it is too difficult from a banking standpoint to identify who the actual customers are. Positive connections between customer focus and a number of performance metrics have been found in empirical studies on the impact of customer focus on bank performance. These metrics could include market share, profitability, customer loyalty, and customer happiness. For instance, a study by Parasuraman, Zeithaml, and Berry (1985) discovered that customer loyalty, which in turn affects financial performance, is favourably influenced by customer pleasure. According to another study by Reichheld and Sasser from 1990, boosting client retention rates can significantly boost banks' profits.

### **2.4.3. The Effect of Employee Involvement on Performance**

Empirical study has looked into the impact of employee involvement on bank performance. Employee involvement is the level of active participation that employees have in decision-making and their ability to influence organizational policies and practices. Some potential areas of research in this field may include:

#### *Employee Participation in Decision Making*

Investigating how employee input into decision-making affects key bank performance metrics like output, client satisfaction, and financial performance.

#### *Organizational culture and Employee Involvement*

Examining how organizational culture, which includes elements like leadership style, communication procedures, and employee empowerment, affects staff involvement levels and how it affects bank performance.

#### *Employee Motivation and Engagement*

Investigating the connection between staff engagement, drive, and amount of participation in decision-making, as well as how these elements affect bank performance.

#### *Employee Involvement Programs and Initiatives*

Evaluating the success of particular employee involvement initiatives or programs that banks have undertaken and how they have affected performance results.

### **2.4.4. The Effect of Continuous Improvement**

Examining studies that have looked into the connection between continuous improvement initiatives and the adoption of total quality management (TQM) practices in banks is a part of empirical literature analysis in the context of continuous improvement and its impact on TQM practices in the banking industry. Numerous studies have looked into this issue and offered insights into how continuous improvement has affected TQM procedures in the banking industry. For instance, the study "Total quality management in the banking sector: The Saudi experience" by Al-Mudimigh and Zairi (2001) evaluated the adoption of TQM practices in Saudi Arabian banks and emphasized the need of continual improvement in achieving TQM goals.

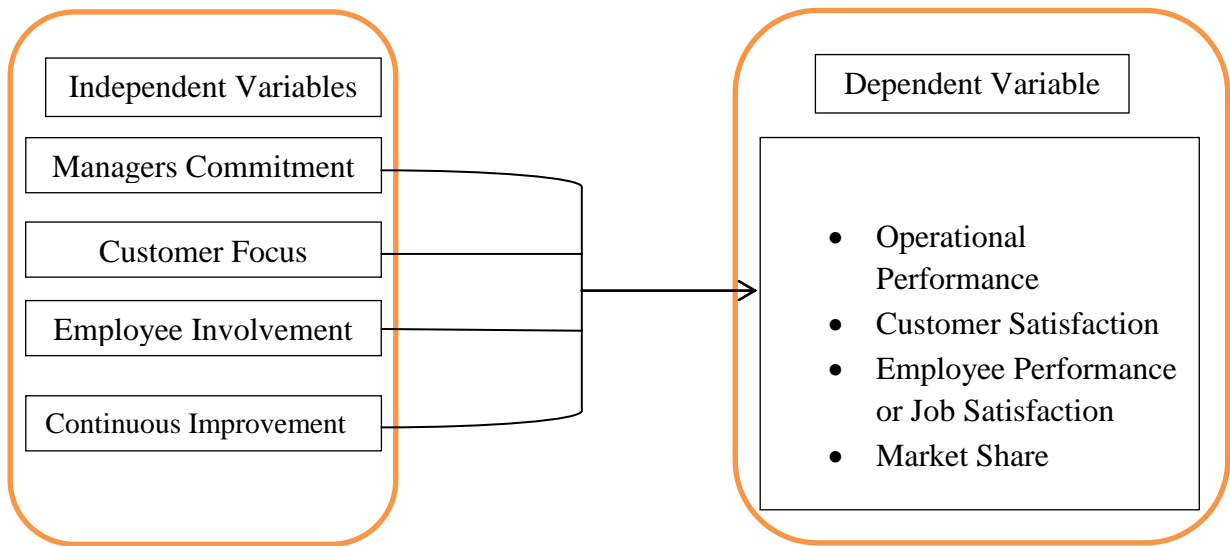
Another pertinent study, "The Effective Implementation of TQM in the Banking Sector: An Empirical Study" by Al-Mashari and Zairi (1999), looked at the connection between TQM practices and performance enhancement in the banking sector. The study focused on how TQM implementation and overall organizational performance are improved by continuous improvement activities. Moreover, a study by Al-Tit and Al-Mudimigh (2012) titled "The impact of continuous improvement practices on TQM implementation in the banking sector" investigated the impact of such practices on the adoption of TQM in Saudi Arabia's banking industry. The study discovered an association between TQM concepts successfully applied in banks and practices of continuous improvement. These studies offer important insights into the connection between continuous improvement and TQM practices in the banking industry, along with others in the empirical literature. They draw attention to the value of CI in advancing TQM implementation and promoting overall organizational performance in banks.

## **2.5. Result of Total Quality Management**

Although some practitioners think TQM management could be expensive and challenging to execute, it provides a number of benefits. According to McIntyre & Kirschenman (2000) (cited in Hoonakker et al. (2010) and Love et al. (1999), the advantages of the total quality management system include, but are not limited to: - Strengthened competitive position; Higher productivity; Reduced rework, defects, and waste; Reduced costs and better cost management; Increased profitability; enhanced shareholder and stakeholder value; enhanced customer focus and satisfaction; enhanced customer loyalty and retention; improved employee morale; and improved and innovative procedures.

## **2.6. Conceptual Framework**

After reviewing several kinds of literature done on practices of TQM (Chirchir, L. 2018; Mwaniki et al 2014; Talib et al 2010; DAMTEW M.B. 2022; Sadikoglu and Oleay 2014; ) four total quality management practices are identified and selected ( Top level management commitment, Customer focus, Contentious Improvement, and Employee Involvement ) as independent variables for this study to test and assess their effect on the performance ( Dependent Variable ) of selected private banks operating in Addis Ababa. Based on similar studies done by the above researchers the researcher adopts and proposes the following conceptual framework.



Source: Based on Literature review

## 2.7. Summary of Related Literature and its gap

The summary of literature clearly indicates that the current study reviewed series of both theoretical and empirical studies done globally about TQM practices on the performance of service sector in general and at selected private banks operating in Addis Ababa in particular with a major determinant of TQM practice such as employee involvement, top management commitment, continuous improvement, and customer focus. A review of some researches written on the effect of TQM practices on the performance of service sector and at banking industry in particular is done. Plus there was no research conducted on the effect of TQM practice on the performance of three different private banks that are operating in Addis Ababa.

## 2.8. Research Hypothesis

The following are hypothesis concerning the effect of Total Quality Management practices on the performance of private banks operating in Addis Ababa. Testing these hypothesis enable the researcher to achieve objectives of the study.

H1: Managers Commitment has a significant effect on the performance of private banks.

H2: Employee involvement has a significant effect on the performance of private banks.

H3: Continuous improvement of TQM has a significant effect on the performance of private banks.

H4: There is relationship between customer focus and performance of banks.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1. Introduction

Based on the literature review and TQM index, which was developed by Sadikoglu and Zehir a composite variable of TQM practices Sadikoglu, E., & Zehir, C. (2010). The researcher decided top level managements' commitment, customer focus, employee involvement, and continuous improvement as the practice of TQM to assess and test their effect on operational performance, employee performance (satisfaction), market share, and customer satisfaction (result), as measurement instruments for the overall performance of AIB, BoA, and DB.

#### 3.2. Description of the study area

Modern Banking Service became familiar in Ethiopia since 1905 Pankhrust (1968) during the regime of emperor Minilik the second, once the British owned National bank of Egypt representative sign an agreement with the king to start banking service in Ethiopia. Since then in the year 1906 Bank of Abyssinia was established until it is replaced by Bank of Ethiopia when Emperor Hailesillase came to power in the year 1931 ( Yonatan Gebre 2010). As per proclamation No. 207/1955 in the year 1963 Commercial Bank of Ethiopia took over commercial banking activities from the former bank of Ethiopia and in the year 1964 National Bank of Ethiopia begin its operation with more power and duties including deriving rules and regulations for all financial institutions including commercial banks that are operating in the nation ( Ibid ).

In 1994 The Ethiopian government legalized private banking in Ethiopia with the supervision of National Bank of Ethiopia ( Bezabih and Desta 2014 ).Now a day 30 private commercial banks are operating in Ethiopia (Hanna T 2023).But the development of banking industry is not as expected ( Abreha G. 2015 ).Due to increased competition and lack of good governance from the involvement of government in the operation of private banks, banks working in Ethiopia are under pressure ( Asnakech 2013 ). The intent of conducting this study is to evaluate the effect of total quality management practices on the performance of three selected private banks (Awash International Bank, Bank of Abyssinya, and Dashen bank).

### **3.3. Selection of target banks**

The study was conducted on assessing the effect of total quality management practices on the performance of selected private banks operating in Addis Ababa. The number of private banks in Ethiopia increase from year to year currently there are 30 private owned commercial banks that are operating in Ethiopia (Hanna T. 2023). Specifically the study is conducted on three different private banks namely Awash International Bank, Bank of Abysinya, and Dashen Bank .The selection of these three banks is based on their financial performance, year of establishment, and endowment status Asnakech, 2013 as it is cited on the work of Alemnew Gebeyehu (2017).

### **3.4. Research approach**

For this study Mixed Method approach was applied. Mixed methods approach is the general term for when both quantitative and qualitative approaches: data collection, analysis procedures, and inference techniques are used (Saunders, Lewis & Thornhill, 2009, P.152; Creswell, 2012; Harrison et al 2020). Application of mixed method research in management researches can add value because it gives the chance to see both process (qualitative) and outcomes (quantitative) domains in depth and breadth of understanding (Harrison et al, 2020).

For this study the point of interface for both qualitative and quantitative methods when both quantitative data (to describe the effect of selected total quality management practices on the performance of banks and relationship between total quality management practices and banks' performance) and qualitative data are collected from managers and employees to grasp information about their perception and understanding on issues of employee involvement, Managers commitment, and the value of customer focusing for performance of selected banks on the same survey.

As Fernando Almeida stated on his research employing mixed method enable a broader and more complete vision of a problem and it allows the researcher to get rich information that could not be obtained using each method alone (Fernando, 2018).

### **3.5. Research Design**

The simultaneous gathering of data from several groups or conditions is made possible by the concurrent study design, The researcher believe applying concurrent research design was helpful when analyzing how TQM practices affect performance of banks.

Concurrent triangulation research design was applied. Employing this design enable to use multiple data sources and helps to validate and strengthen the findings. Triangulation allows researchers to cross verify results obtained from different sources, reducing the risk of bias and enhancing the overall reliability of the study. To collect data from managers and employees about the effect of TQM practices (Top level Management, Customer Focus, Employee Involvement, and Continuous improvement) that has effect on performance ( operational efficiency, Customer satisfaction, Employee performance/satisfaction, and Market share ) of selected private banks operating in Addis Ababa.

### **3.6. Sampling design and technique**

Out of thirty one plus private banks operating in the nation using non probability technique and purposive sampling method the researcher pick three private owned banks that are established before ten years and with their endowment status namely Awash International Bank, Bank of Abyssinia, and Dashen Bank to assess and test the effect of TQM practices on performance.

Because of resource constraints including time and budget for data collection, analysis, and interpretation first a branch for each bank was selected based on accessibility and location to the researcher then using non probability sampling and snowball technique two additional branches was considered for the study.

The study's target population consists of all the nine branches of the three banks' Managers and Employees.

Based on purposive sampling technique 9 branch managers three from each bank were selected for the study

Since it is difficult to predict the number of employees in each branch of each bank the researcher determined the sample size of employees based on Slovin's formula with confidence level 95% and confidence interval ( error margin ) 5% (Slovin, L. E. 1960).

$$n = \frac{N}{1 + N(e)^2}$$

Where n = no. of samples

N= total population

E= error margin/ margin of error

Due to the narrow study scope and the difficulty in determining the precise number of bank employees, using non probability and convenience sampling technique for a total of 135 respondents was chosen as a sample.

Table 3.1.Sample Population

Selected Private Banks	Branch	No. of Questionnaire distributed
Awash International Bank	Arat Kilo Branch	13
	Megenagna Branch	21
	Amist Kilo Branch	11
Dashen Bank	Amist kilo Branch	14
	Adwa Branch	13
	Menen Branch	18
Bank of Abyssinia	Tesfa G/Sillase Branch	19
	Yeka Branch	15
	Sidist Kilo Branch	11
	Total	135

### 3.7. Data collection methods and procedure

The researcher use previous studies including (Mwaniki et al 2014; Chirchir, L. 2018; Damte M.B. 2022; and Berhanu .N. 2019) conducted on the effect of TQM practices on performance were taken as base to adopt the questionnaire for this study.

In order to collect data for quantitative study self-administered 5-point likert scale questionnaire was applied whereas to collect qualitative data open-ended questions on the same questionnaire was in action. Cross sectional data was in use because data collected at one time and an analysis conducted to arrive at finding from which conclusion and recommendation was drawn.

### 3.8. Data Analysis Process

Data analysis is a critical thinking process not a haphazard process its goal is to reveal the underlying, trends, and relationships of a study's contextual situation ( Albers, 2017). Since the

method selected for this study is Mixed Method research both qualitative and quantitative data analysis procedure was in action to address the research questions raised. Since the research design is concurrent triangulation once data for qualitative and quantitative is collected the analysis will go together.

Quantitative data analysis is used not to get statistical significance but to provide evidence for the practical significance of the research questions ( Mertens, 2017; Albers, 2017).

Based on Mixed research method descriptive to inferential analysis for quantitative data and coding and thematic analysis for qualitative data was applied.

The following Multiple Linear Regression Model was applied to test the relationship between dependent variable (Performance) and independent variables (Total Quality Management practices). Tests include F-test, t-test, Model Fit using adjusted R-Square, Rainbow test for linearity or relationship between the dependent and independent variables, and Variance inflation factor to assess the presence of multicollinearity among the independent variables.

### **3.9. Model Specification**

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where:

$Y$  – *Dependent variable (Performance)*

$X_1$  – *Top Level Management Commitment*

$X_2$  – *Employee Involvement*

$X_3$  – *Continuous Improvement*

$X_4$  – *Customer Focus*

$\beta_0$  – *Constant of the Model*

$\beta_1 - \beta_4$  – *Are regression Coefficients*

$\epsilon$  – *is stochastic error term estimate*

### 3.10. Validity and Reliability Test

The researcher made sure that the study measures the desired constructs accurately and yields reliable, consistent results by carrying out the following validity and reliability tests.

Each research variable represented by one or more questionnaire items, or questions. Supervisor with expertise in internal control will assess the instrument for topic coverage and will engage with the researcher to determine content validity.

Scaled items are tested using the Cronbach Alpha model for internal consistency. As Mugenda and Mugenda (2003) said that an alpha score of 0.70 can be considered enough for reliability test. The standard range of Cronbach's alpha reliability coefficient is between 0 (indicating no consistent Variation) and 1 (indicating consistent variance throughout). SPSS programme was used to examine the reliability test. Therefore, in order to assess the reliability of the instrument, the researcher employ the Cronbach's alpha test, which is the most widely, used reliability measure. The aim is to ensure the questionnaire was reliable in collecting data on the effect of TQM practices on the performance of selected private banks operating in Addis Ababa.

Table 3.2. Reliability test

Reliability Statistics		
	Cronbach's Alpha	No. of Items
Top Management Commitment	.924	6
Employee Involvement	.815	6
Continuous Improvement	.927	6
Customer Focus	.730	6
Performance	.952	12

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

In this chapter the data is analyzed and collected from field survey data source in order to assess the effect of total quality management practices on the performance of selected private banks operating in Addiss Ababa. The main results are summarized in table to highlight the key findings. The primary data which was collected through both close ended and open ended questionnaires administered to the study participants.

#### 4.1. Response rate

The researcher of this study distributed 135 questionnaires to the participants of the study. The result obtained from the field survey presents as follows:

Table 4.1. Shows that respondent rate

Number of questionnaires distributed	Number of questionnaire returned	Response rate
135	120	88.89%

The study aimed to obtain responses from a sample size of 135 participants. However only 120 participants of the study complete and return the questionnaire, resulting in a response rate of 88.89%. The response rate of 88.89% considered as sufficient to draw a meaningful conclusion for the study as it provides a representative sample of participants. The average and also reasonably acceptable response rate is 60% meaning that anything below 40% is not reasonable and acceptable and would generate validity issue ( Baruch, Y. 1999). According to this the response rate was deemed acceptable and considered appropriate for the study Conclusions.

#### 4.2. Socio -demographic characteristics of respondents

This section of the study presented the social and demographic condition of the respondents. In this study the socio demographic characteristics treated in this study were gender, level of education, work experience, number of service years, and position the result obtained from the field presented as follows.

Table 4.2. Distribution of socio-demographic characteristics of respondents.

Items	Categories	Frequency	Percent
Gender	Male	80	66.7
	Female	40	33.3
	Total	120	100.0
Level of Education	Bachelor	100	83.3
	Masters	20	16.7
	Total	120	100.0
How many years have you been working in this bank?	Less than 1 year	50	41.7
	1- 5 years	10	8.3
	6-10 years	50	41.7
	above 10 years	10	8.3
	Total	120	100.0
How many years has this bank been in operation?	1-5 years	30	25.0
	6-10 years	20	16.7
	above 15 years	70	58.3
	Total	120	100.0
How many years have you been customer of this bank?	less than 1 year	10	8.3
	1-5 year	60	50.0
	6-10 years	20	16.7
	above 15 years	30	25.0
	Total	120	100.0
Position in the bank	customer service officer	80	66.7
	Managers	40	33.3
	Total	120	100.0

Table 4.2 shows that socio-demographic characteristics of respondents. The result obtained from the field presented as follows. The first socio demographic characteristic of respondents was gender. Regarding to gender of respondents, 88(66.7%) of the respondents were in male sex category while 40 (33.3%) of the respondents were female sex category. From the above information it is possible to conclude that majority of respondents were M ale sex category.

The second socio-demographic characteristics of respondents were level of education. Regarding level of education 100 ( 83.3%) of the respondents was Bachelor degree graduates whereas 20( 16.72%) of the respondents were master’s degree graduate. From the above finding it is possible

to conclude that the majority of respondents of the study were at bachelor degree level of education.

The third socio-demographic characteristics of respondents were work experience. With regard to work experience of the participants of the study 50(41.7%) of the respondents were at the level of work experience less than 1 year and 50(41.7%) of the respondents were at the level of work experience 6-10 years. From the above finding it is possible to conclude that the majority of respondents were work experience of less than one year and 6-10 year.

The fourth socio-demographic characteristic of respondents which was asked to the respondents was how many years has this bank been in operation. In this regard 70(58.32%) of the respondents said above 15 years , 20(16.7%) of the respondents respond 6-10 years where as 30 ( 25%) of the respondents said 1-5 years. From the above finding it is possible to conclude that the majority of the respondents pointed out that above 15 years the bank has been in operation.

The fifth socio-demographic characteristics of respondents asked how many years customer of the bank in this regard , 10 ( 8.3%) of the respondents were customer of the bank less than a year, 60( 50%) of the respondents were customer of the bank for 1-5 years ,20( 16.77%) of the respondents were 6-10 years where as 30(25%) of the respondents have been a customer of a bank 15 years from the above information it is possible to conclude that the majority of the respondents have been a customer of the bank 1-15 years.

Regarding to the position of respondents 80(66.7%) of the respondents were customer service officer and 40(33.3%) of the respondents were managers. From the above information it is possible to conclude that the majority of respondents were customer service officers.

### **4.3. Total Quality Management Practices**

This section of the study looks in to Total quality management practices in banks for the study. Total quality management consists of organization wide to install and make permanent climate were employees continuously improve their ability to add value to the product that the organization is working on. In this study to assess total quality practices was carried out in the content of four dimensions which includes managers' commitment, employee involvement,

Continuous improvement and customer focus. The data obtained from the field presented as follows

#### 4.3.1. Top Management Commitment

Top management commitment was the first dimension designed to assess the total quality management practices Research has shown that top management commitment is crucial for the successful implementation of TQM. When top-level management actively supports and participates in TQM initiatives, it creates a culture of quality throughout the organization, which translates into improved performance . In this regards statements were designed and the results obtained from the field presented as follows

Table 4.3. Distribution of response to top management commitment

Statements	Responses	Frequency	Percent	Mean	Stan dev.
The Management is proactive to upcoming changes and plan accordingly	Disagree	10	8.3	4.0000	.81992
	Neutral	10	8.3		
	Agree	70	58.3		
	Strongly Agree	30	25.0		
	Total	120	100.0		
The management play role of inspiring and motivating employees to build trust and eliminates fear	Strongly Disagree	10	8.3	4.0833	1.26081
	Disagree	10	8.3		
	Agree	40	33.3		
	Strongly Agree	60	50.0		
	Total	120	100.0		
Quality policies and goals are reviewed regularly to meet the need of the bank	Neutral	10	8.3	4.1667	.55509
	Agree	80	66.7		
	Strongly Agree	30	25.0		
	Total	120	100.0		
Training related to quality is given to managers and supervisors throughout the bank.	Neutral	20	16.7	4.1667	.69007
	Agree	60	50.0		
	Strongly Agree	40	33.3		
	Total	120	100.0		
The management provides people with the required resources	Disagree	10	8.3	4.0833	.76239
	Agree	80	66.7		
	Strongly Agree	30	25.0		
	Total	120	100.0		
The management puts	Disagree	10	8.3		

stakeholders interest first	Neutral	20	16.7	4.0000	.91670
	Agree	50	41.7		
	Strongly Agree	40	33.3		
	Total	120	100.0		

Table 4.3 shows that top management commitment. The first statement that describe top management commitment was the management is proactive to upcoming changes and plan accordingly. Against this statement 70( 58%) of the respondents expressed their agreement at the mean of 4.00 and standard deviation of .82. From the finding it is possible to conclude that the management is proactive to upcoming changes and plan accordingly as a commitment of top management to maintain total quality.

The second statement dealt about the management play role of inspiring and motivating employee to build trust and eliminates fear. Against this statement 60(50%) of the respondents were strongly agree and 40 (33.32%) of the respondents were agree with the mean 4.08 and standard deviation of 1.26. From the above information it is possible to conclude that the management play role of inspiring employees to build trust and eliminate fear.

The third statement present or asks respondents was quality of policies and goals are reviewed regularly to meet the need of the bank. Against this statement the majorities 80(66.7%) of respondents stated or expressed their agreement with the mean value of 4.17 and standard deviation .69. From the above finding it is possible to conclude that quality policies and goals are review regularly to meet the need of the bank.

The fourth statement presented to the respondent was training related to quality is given to managers and supervisors throughout the bank. To this statement the respondents were point their level of degree of agreement. The majority 80(66.7%) of the respondents were agree to the statement with the mean of 4.17 and standard deviation of .69 .This implies that training related to quality is given to managers and supervisors throughout the bank.

The fifth statement presented to respondents to express their level of degree of agreement was the management provide people with the required resource. Against this statement 80(66.7%) of the respondents said agree with the mean 4.08 and standard deviation of .76. This implies that the management provides people with the required resources.

The last statement presented to respondents to describe top management commitment to promote to total quality management practice was the management puts stakeholder interest first. Against

this statement 50(41.7%) of the respondent said agree with the mean 4.00 and standard deviation of .92. This implies that the management puts stakeholder interest first.

### 4.3.2. Employee Involvement

Employee involvement was the second dimension designed to describe total quality management practice. Employee involvement is the process of allowing employees to give their opinion on decision that affect their work. Actively involving employees in TQM initiatives helps to motivate and engage them, leading to higher job satisfaction and commitment. Empowered and involved employees contribute to improved performance by offering innovative ideas, enhancing operational processes, and providing better customer service. The result on the degree of agreement with the statement on employee involvement presented as follow.

Table 4.4. Statements on employee involvement

		Frequency	Percent	Mean	Stan dev
Employees are treated as important resource to the bank	Disagree	10	8.3	3.9167	.76239
	Neutral	10	8.3		
	Agree	80	66.7		
	Strongly Agree	20	16.7		
	Total	120	100.0		
Employees are regularly involved in operation decision making	Neutral	30	25.0	3.9167	.64278
	Agree	70	58.3		
	Strongly Agree	20	16.7		
	Total	120	100.0		
Employees are given feedback on company and self-performance	Disagree	10	8.3	3.6667	.85340
	Neutral	40	33.3		
	Agree	50	41.7		
	Strongly Agree	20	16.7		
	Total	120	100.0		
Employees are provided with enough training on quality management practices	Strongly Disagree	10	8.3	3.8333	1.07166
	Neutral	20	16.7		
	Agree	60	50.0		
	Strongly Agree	30	25.0		
	Total	120	100.0		
Employees are motivated towards the organizations goals and objectives	Strongly Disagree	10	8.3	3.4167	.95779
	Disagree	10	8.3		
	Neutral	20	16.7		
	Agree	80	66.7		

	Total	120	100.0		
The bank management give autonomy to empower employee	Disagree	20	16.7	3.5833	1.04184
	Neutral	40	33.3		
	Agree	30	25.0		
	Strongly Agree	30	25.0		
	Total	120	100.0		

Table 4.4. above shows statements of employee involvement. When respondents were requested to point to the degree to which they agreed with statements related to employee involvement of total quality management practices the majority 80(66.7%) of the respondents were agreed to the statement employee are treated as important resources to the bank with mean 3.92 and standard deviation of .76. This implies that employees are treated as important resource of the bank.

On the other side 70(58.3%) of the respondents said agreed to employees are regularly involved in operations decision making with the mean value of 3.92 and standard deviation of .64. This implies that employees are regularly involved in operation decision making.

The other statement included to describe employee involvement was employee are given feedback on company and self-performance .Against this 50(41.75%) of the respondents said agree with the mean value of 3.67 and standard deviation of .85. This implies those employees are given feedback on company and self-performance.

The next statement which was presented to respondents was employees are provided with enough training in quality management practices. Against this statement 60(50%) of the respondents said agree with the mean value of 3.83 and standard deviation of 1.67. This implies that employees are provided with enough training on quality of management practices.

More so, the respondents asked about employees motivation to wards the organizations goals and objectives. Against this statement 80(66.7%) of the respondents said agree with mean value of 3.42 and standard deviation .96. This implies that employees are motivated towards the organization goals and objectives.

Furthermore, the respondents asked to express their level of agreement to the statement the bank management give autonomy to empower employees. Against this statement 40(33.3%) of the respondents with the mean value of 3.58 and the standard deviation of 1.04 were neutral. From the above information it is possible to conclude that respondents are not sure that the bank management give autonomy and empower employee or not.

### 4.3.3. Continuous Improvement

Continuous improvement is one of the core principles of TQM. It involves regularly reviewing processes, identifying opportunities for enhancement, and implementing changes to increase efficiency and effectiveness. In the table below presents the finding in the participant degree of agreement with statements relating to continuous improvement and the result presented as follows.

Table 4.5. Statements on Continuous Improvement

Statements	Responses	Frequency	Percent	Mean	Stan dev.
The bank continuously monitors and improves its process to give quality service to its customers.	Neutral	20	16.7	4.1667	.69007
	Agree	60	50.0		
	Strongly Agree	40	33.3		
	Total	120	100.0		
The bank continuously monitor and report objectives versus results through internal quality audits	Neutral	50	41.7	3.7500	.72471
	Agree	50	41.7		
	Strongly Agree	20	16.7		
	Total	120	100.0		
The bank has a system to avoid unnecessary part of operational activity in the process	Neutral	90	75.0	3.3333	.62622
	Agree	20	16.7		
	Strongly Agree	10	8.3		
	Total	120	100.0		
The bank has quality benchmarks against other quality management practices for standardization	Neutral	50	41.7	3.7500	.72471
	Agree	50	41.7		
	Strongly Agree	20	16.7		
	Total	120	100.0		
The bank detects service defects and makes sure they don't happen again.	Neutral	50	41.7	3.6667	.62622
	Agree	60	50.0		
	Strongly Agree	10	8.3		
	Total	120	100.0		
Plan – Do- Check- Action is implemented	Neutral	40	33.3	3.6667	.47338
	Agree	80	66.7		

	Total	120	100.0		
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Table 4.5. shows that statements on continuous improvement. The first statement was the bank continuously monitors and improves its process to give quality service to its customers. Against this statement 60(50%) of the respondents said agree with the mean value of 4.17 and standard deviation of .67. This implies that the bank continuously monitor and improve its process to give quality service to its customers.

The second statement was the banks continuously monitor and report objectives versus results through internal quality audit. Against this statement 50(41.7%) of the respondents said agree with the mean value of 3.75 and standard deviation of .72. This implies that the bank continuously monitor and report objective versus result through internal quality audit.

The third statement was the bank has a system to avoid unnecessary part of operational activities in the process. Against this statement 90(75%) of the respondents said neutral with the mean value of 3.33 and standard deviation of .62. This implies that respondents are not sure that the bank has a system to avoid unnecessary part of operational activity in the process.

The fourth statement was the bank has quality benchmark against other quality management practices for standardization. Against this statement 50(41.72%) of the respondents said agree with the mean value of 3.75 and standard deviation of .72. This implies that the bank has quality benchmark against other quality management practices for standardization.

The fifth statement was the bank detects service defects and make sure they don't happen again. Against this statement 60(50%)of the respondents said agree with the mean value of 3.67 and standard deviation of .62.This implies that the bank detects service defects and make sure they don't happen again.

The sixth statement was plan-do-check-action is implemented. Against this statement 80(66.7%) of the respondents said agree with the mean value of 3.66 and standard deviation of .47. This implies that plan-do-check-action is implemented.

#### 4.3.4. Customer Focus

Customer satisfaction is a vital outcome of TQM implementation. By focusing on customer needs, preferences, and expectations, private banks can enhance customer loyalty and retention, leading to improved performance.

The last dimension designed to describe total quality management was customer focus. Customer focus is a strategy that puts customers at the center of business decision making . Customer focused business make decision based on how those decisions impact customers as opposite to focusing on profits above all else. To improve customer focus it need to focus on customer want and expectation, provides personalized and quality customer experience, identify at risk customers, and implements effective measure to convince them to stay, deliver the right service at the right time and focus on building constructive relationship with customers. Thus statements were designed to describe customer focus and the data obtained from the field presented as follows.

Table 4.6. Statements on Customer focus

Statements	Responses	Frequency	Percent	Mean	Stan dev
The bank takes customer complaints seriously	Agree	70	58.3	4.4167	.49507
	Strongly Agree	50	41.7		
	Total	120	100.0		
The bank focuses on creating customer centric services	Neutral	10	8.3	4.3333	.62622
	Agree	60	50.0		
	Strongly Agree	50	41.7		
	Total	120	100.0		
The bank regularly seeks customer feedback about performance	Neutral	10	8.3	4.2500	.59761
	Agree	70	58.3		
	Strongly Agree	40	33.3		
	Total	120	100.0		
The bank seeks to understand expected customers' needs	Neutral	30	25.0	4.0000	.71007
	Agree	60	50.0		
	Strongly Agree	30	25.0		
	Total	120	100.0		
The bank uses feedback in improving quality of service	Disagree	10	8.3	4.0000	.91670
	Neutral	20	16.7		
	Agree	50	41.7		
	Strongly Agree	40	33.3		

	Total	120	100.0		
Customers can reach the bank via a variety of platforms for communication (email, phone, website, social media)	Disagree	10	8.3	3.9167	.95779
	Neutral	30	25.0		
	Agree	40	33.3		
	Strongly Agree	40	33.3		
	Total	120	100.0		

Table 4.6 above showed that statements designed to describe customer focus. The first statement was the bank takes customer complains seriously. Against this statement 70(58.3%) of the respondents said agree with the mean value of 4.42 and standard deviation of .50. This implies that the bank takes customer complains seriously.

Second statement was the bank focuses on creating customer centric service. Against this statement 60(50%) of the respondents replied agree with the mean value of 4.33 and standard deviation of .62. From the above information it is possible to conclude that the bank focuses on creating customer centric services.

The third statement was the banks regularly seek customer feedback about performance. Against this statement 70(58.3%) of the respondents said agree with the mean value of 4.25 and standard deviation .60. This implies that the bank regularly seeks customer feedback about the performance.

The fourth statement was the bank seeks to understand expected customers' needs. Against this statement 60(50%) of the respondent said agree with the mean value of 4.00 and standard deviation .71. Thus from the above information it is possible to conclude that the bank seeks to understand expected customers' needs.

The fifth statement was the bank uses feedback n improving quality of service .Against this statement 50(41.7%) of the respondents said yes with the mean value of 4.00 and standard deviation of .92. Thus it is possible to conclude that the bank use feedback in improving quality of service.

The sixth statement was customers can reach the bank via a variety of platforms for communication (e-mail, phone, website, and social media). Against this statement 40(33.3%) of the respondents said agree with the mean value of 3.92 and standard deviation of .96. Thus, from the above information it is possible to conclude that customers can reach the bank via a variety of platforms for communication (e-mail, phone, website, and social media).

#### 4.4. Performance

This part of the study deals with the bank performance against total quality management practices. Performance in a company is an indicator of a company is working well or not, as well as banking. In measuring bank performance the most appropriate measure is to measure the ability of banks to generate profit and deliver satisfaction to stakeholders. To measure performance in this study four dimensions were designed. These are operational performance, customer satisfaction, employee performance/job satisfaction, and market share. The statements designed to describe performance this dimension and the result obtained from the field presented as follows.

##### 4.4.1. Operational Performance

TQM aims to improve operational efficiency and effectiveness in organizations. By measuring operational performance as a dependent variable, the study can examine whether TQM practices lead to improvements in various operational metrics such as productivity, cost reduction, speed of service, error rates, and process efficiency. Improved operational performance can contribute to better overall bank performance. The result obtained from the field presented as follows.

Table 4.7. Statements on Operational Performance

		Frequency	Percent	Mean	Stan dev
The bank resolves complaints related to operation quickly	Disagree	20	16.7	3.7500	.83263
	Agree	90	75.0		
	Strongly Agree	10	8.3		
	Total	120	100.0		
The bank comply with regulatory requirements and industry standards	Strongly Disagree	10	8.3	3.9167	1.19230
	Disagree	10	8.3		
	Agree	60	50.0		
	Strongly Agree	40	33.3		
	Total	120	100.0		
The bank manage operational risks such as fraud or cyber security threat	Neutral	10	8.3	4.5000	.64820
	Agree	40	33.3		
	Strongly Agree	70	58.3		
	Total	120	100.0		

Regarding to operational performance statements were designed. The first statement was the bank resolve complaints related to operation quickly. Against this statement, 90(75%) of the

respondents said agree with the mean value of 3.75 and standard deviation of .83. This implies that the bank resolves complaints related to operation quickly.

The second statement was the bank comply with regulatory requirements and industry standards. Against this statement 60(50%) of the respondents said agree with the mean value of 3.92 and standard deviation of 1.19. This implies that the bank comply with regulatory requirements and industry standards.

The third statement was the bank manages operational risks such as fraud or cyber security threat. Against this statement 70(58.3%) of the respondents said strongly agree with the mean value of 4.50 and standard deviation of .65. This implies that the bank manage operational risks such as fraud and cyber security.

#### 4.4.2. Customer Satisfaction

The success of private banks heavily depends on their ability to satisfy customers and meet their expectations. TQM emphasizes a customer-centric approach, where banks aim to consistently deliver high-quality products and services to customers. By measuring customer satisfaction as a dependent variable, the study can assess whether TQM implementation positively impacts customer perceptions, loyalty, retention, and overall satisfaction, which in turn can lead to increased market share and profitability. To describe customer satisfaction as indicator of bank performance statements were designed and the result obtained from the field presented as follows.

Table 4.8. Statement on customer satisfaction

Statements	Responses	Frequency	Percent	Mean	Stan dev
Customers are satisfied with the bank's response time to their inquiries	Disagree	20	16.7	4.0000	1.15954
	Neutral	20	16.7		
	Agree	20	16.7		
	Strongly Agree	60	50.0		
	Total	120	100.0		
Customers are satisfied with the bank's communication and transparency in its operation	Disagree	20	16.7	4.2500	1.09429
	Agree	30	25.0		
	Strongly Agree	70	58.3		
	Total	120	100.0		
Customers are satisfied with the bank's digital banking service and user experience	Disagree	10	8.3	4.0000	1.00419
	Neutral	30	25.0		
	Agree	30	25.0		

	Strongly Agree	50	41.7		
	Total	120	100.0		

Regarding to customer satisfaction the first statement was customers are satisfied with the banks' response time to their inquiries. Against this statement 60(50%) of the respondents said strongly agree with the mean value of 4.00 and standard deviation 1.16. This implies that customers are satisfied with the banks response time to their inquiries.

The second statement was customers are satisfied with bank's communication and transparency in its operation .Against this statement 70(58.3%) of the respondents said strongly agree with the mean value of 4.25 and standard deviation of 1.10. This implies that customers are satisfied with bank's communication and transparency in its operation.

The third statement was customers are satisfied with the bank's digital banking service and user experience .Against this statement 50(41.7%) of the respondents said strongly agree with the mean value of 4.00 and standard deviation of 1.00. This implies that customers are satisfied with the bank's digital banking service and user experience.

#### 4.4.3. Market Share

Market share reflects the bank's competitive position within the industry and its ability to attract and retain customers. TQM practices, if effective, can lead to enhanced customer satisfaction, perceived quality, and reputation, which in turn can positively influence market share. By measuring market share as a dependent variable, the study can determine whether TQM adoption contributes to increased market share and competitive advantage for private banks. The statements designed and the result obtained from the field presented as follows.

Table 4.9. Statement on Market Share

Statements	Responses	Frequency	Percent	Mean	Stan Dev
The bank is effective in marketing and branding efforts in attracting new customers and expanding market share	Disagree	10	8.3	4.0833	.76239
	Agree	80	66.7		
	Strongly Agree	30	25.0		
	Total	120	100.0		
The bank has market share in different customer segments or geographic regions	Disagree	10	8.3	4.2500	.83263
	Agree	60	50.0		
	Strongly Agree	50	41.7		

	Total	120	100.0		
The bank has strategy or initiative to gain or maintain market share	Disagree	10	8.3	3.9167	.86562
	Neutral	20	16.7		
	Agree	60	50.0		
	Strongly Agree	30	25.0		
	Total	120	100.0		

The first statement was the bank is effective in marketing and branding efforts in attracting new customers and expanding market share. Against this statement 80(66.7%) of the respondents said agree with the mean value of 4.08 and standard deviation of .76. This implies that the bank is effective in attracting new customers.

The second statement was the bank has market share in different customer segments or geographic regions. Against this statement 60(50%) of the respondents said agree with the mean value of 4.25 and standard deviation of .83. This implies that the bank has market share in different market segments or geographic regions.

The third statement was the bank has strategy or initiative to gain or maintain market share. Against this statement 60(50%) of the respondents said agree with the mean value of 3.92 and standard deviation of .87. This implies that the bank has strategy or initiative to gain or maintain market share.

#### 4.4.4. Employee performance/Job Satisfaction

Employees play a crucial role in delivering quality service and implementing TQM practices. TQM encourages employee involvement, empowerment, training, and continuous improvement. By measuring employee performance as a dependent variable, the study can examine whether TQM positively influences employee motivation, engagement, job satisfaction, commitment, and productivity. Improved employee performance can enhance overall bank performance and lead to better customer experiences. The statements and results obtained from the field are presented as follows.

Table 4.10. Statements on employee performance/job satisfaction

Statements	Responses	Frequency	Percent		Stan dev
Employees are satisfied with the leadership and management practices with in the bank	Strongly Disagree	10	8.3	3.5833	.95779
	Neutral	30	25.0		
	Agree	70	58.3		
	Strongly Agree	10	8.3		

	Total	120	100.0		
Employees are satisfied with the communication and feedback channels with in the bank.	Disagree	20	16.7	3.4167	1.04184
	Neutral	60	50.0		
	Agree	10	8.3		
	Strongly Agree	30	25.0		
	Total	120	100.0		
Employees are satisfied with the training and development programs offered by the bank	Strongly Disagree	10	8.3	3.5000	1.04520
	Neutral	50	41.7		
	Agree	40	33.3		
	Strongly Agree	20	16.7		
	Total	120	100.0		

Regarding to employee performance or job satisfaction the first statement was employees are satisfied with leadership and management practices with in the bank. Against this statement 70(58.32%) of the respondents said agree with the mean value of 3.59 standard deviation of .96. This implies that employees are satisfied with the leadership and management practices with in the bank.

The second statement was employees are satisfied with the communication and feedback channels within the bank. Against this statement 60(50%) of the respondents said agree with the mean value of 3.41 and standard deviation of 1.04. This implies that employees are satisfied with the communication and feedback channels in the bank.

The third statement was employees are satisfied with the training and development programs offered by the bank. Against this statement 50(41.7%) of the respondents were neutral with the mean value of 3.5 and standard deviation of 1.04. This implies that respondents are not sure that whether the employees satisfied with the training and development program offered by the bank or not.

## 4.5. Inferential statistics

In this section inferential statistics was presented. The inferential statistics employed was correlation and regression and the result presented as follows.

Table 4.11: Correlation Analysis

Correlations						
		Organizational performance	Top management commitment	Employee involvement	Continuous improvement	Customer focus
Organizational performance	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	120				
Top management commitment	Pearson Correlation	.941**	1			
	Sig. (2-tailed)	.000				
	N	120	120			
Employee involvement	Pearson Correlation	.789**	.700**	1		
	Sig. (2-tailed)	.000	.000			
	N	120	120	120		
Continuous improvement	Pearson Correlation	.194*	.149	.540**	1	
	Sig. (2-tailed)	.034	.105	.000		
	N	120	120	120	120	
Customer focus	Pearson Correlation	.762**	.744**	.810**	.509**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	120	120	120	120	120
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

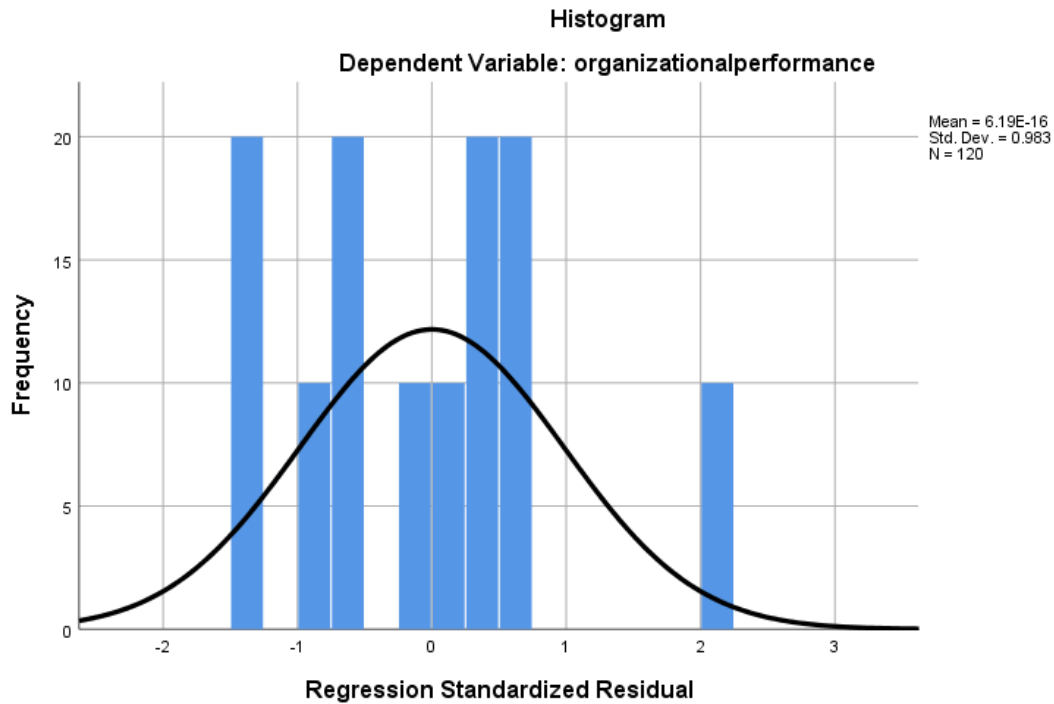
The finding of the correlation analysis indicated that there is positive and statistical significant association with top level management commitment and performance ( $r = .941$ ,  $p < 0.05$ ). Likewise there is positive and statistical significant relationship between employee involvement and performance ( $r = .789$ ,  $p < 0.05$ ). Furthermore there is positive and statistical significant relationship between continuous improvement and performance ( $r = .194$ ,  $p < 0.05$ ). Finally there is positive and statistical significant relationship between customer focus and performance ( $r = .762$ ,  $P < 0.05$ ).

#### **4.6. Regression**

The data was checked to verify that the assumption of multivariate normality was met. Brooks (2008) noted that in order to consider hypothesis test about the model parameter, the normality assumption must be fulfilled. The normality assumption is about the mean of the residuals is zero. According to Gujarati (2004), in testing the normality assumption, three tests of normality could be considered (1) histogram of residuals, (2) normal probability plot (NPP), a graphical device; and (3) The Jarque-Bertest ( it is an asymptotic, or large sample test). Because of their simplicity , the first two simple graphical instruments for testing the normality assumption were applied in this study as indicated below.

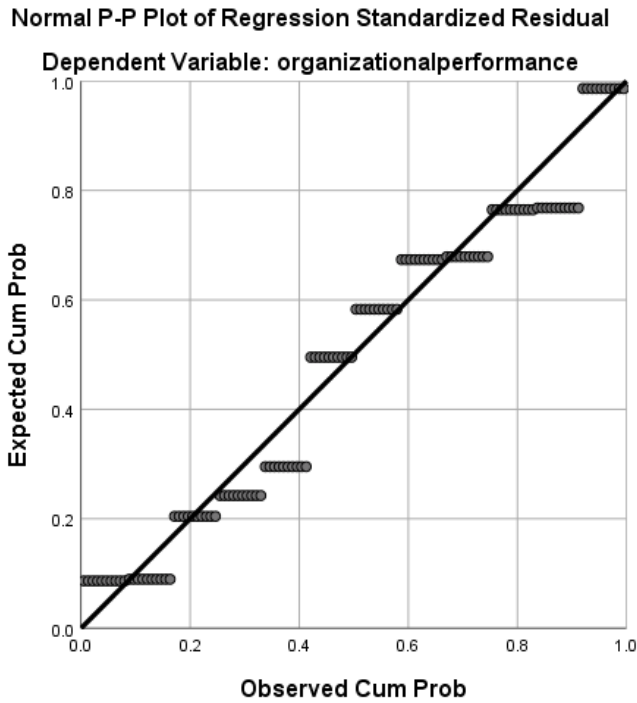
#### **Figure 4.1. Normality Test**

The residuals are



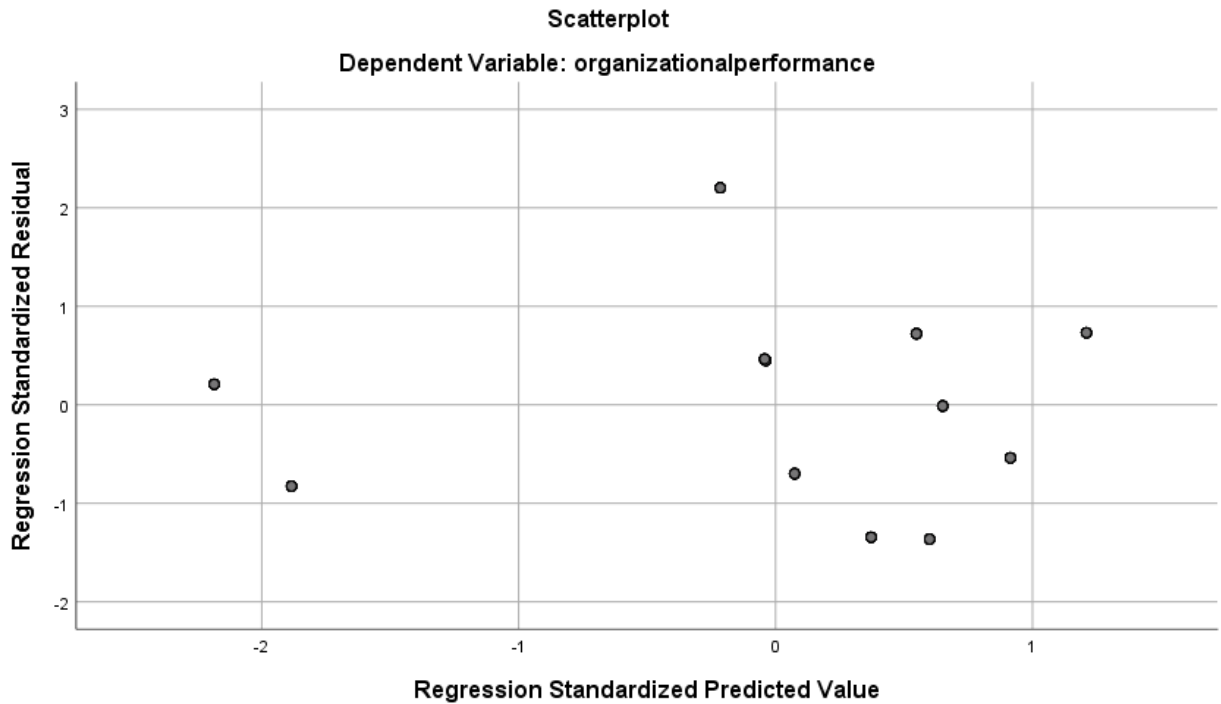
A histogram of residuals is simple graphic device that is used to learn something about the shape of the probability density function of a random variable. On the horizontal axis, the values of the variable of interest (OLS residuals) are divided in to suitable intervals, and in each class interval rectangles are erect equal in height to the number of observation ( frequency) in that class interval. If the residuals are normally distributed around its mean zero the histogram is a bell-shaped. The shape of the residuals are normally distributed around its mean of zero.

**Figure 4.2. Normal P-P of Regression Standardized Residual**



In addition to histogram of residuals, the normal probability plots were used to test the normality of data. It is comparatively simple graphical device to study the shape of the probability density function (PDF) of a random variable is the probability plot (NPP). It uses values of the variable of interest on the horizontal axis and the expected value of this variable on the vertical axis. If the fitted line in the NPP is approximately a straight line, one can conclude that the variable is in normally distributed. Hence, Figure 4.2 above indicated that residuals from the research model regression are approximately normally distributed, because a straight line. If the residuals are normally distributed around its mean of zero the histogram is a bell-shaped curve. The shape of the histogram as shown below in figure 4.3 revealed that the residuals are normally distributed around its mean of zero.

**Figure 4.3: scattter plot**



**Table 4.12: Test of Autocorrelation**

<b>Model Summary<sup>b</sup></b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.962 <sup>a</sup>	.925	.922	2.62182	2.351
a. Predictors: (Constant), Customer focus, continuous improvement, top management commitment, employee involvement					
b. Dependent Variable: organizational performance					

Autocorrelation is adjacent residuals of any two observations not being independent of each other or correlated. For any two observations the residual terms should be uncorrelated (or independent). This eventually is sometimes described as a lack of autocorrelation. This assumption can be tested with the Durbin-Watson test, which tests for social correlation between errors. Specifically, it tests whether adjacent residuals are uncorrelated. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule of thumb, the residuals are uncorrelated is the Durbin-Watson statistic is approximately 2. A value close to 0 indicates strong positive correlation, while a value of 4 indicates strong negative correlation. For this study, the value of Durbin-Waston is 2.351, approximately equal to 2, indicating no serial correlation.

Table 4.13: Multicollinearity test

<b>Coefficients<sup>a</sup></b>				
Model		Collinearity Statistics		
		B	Tolerance	VIF
1	(Constant)	-2.670		
	Top management commitment	1.526	.316	3.162
	Employee involvement	.806	.271	3.685
	Continuous improvement	-.271	.524	1.910
	Customer focus	.020	.244	4.096

a. Dependent Variable: Organizational performance

The multicollinearity diagnostics was to test assumptions of regression model which considers the variance inflating factor (VIF). The VIF indicates whether a predictor has strong linear relationship with the other predictor (s). Although there are no hard and fast rules about what value of the VIF should be a cause for concern, ( Gujrati, 2004). Suggests that value of less than 10 is good value and he suggest that if the value of VIF is greater than 1, then there is no multicollinearity in the regression model. In this study table 4.13 the VIF for the independent variable included in the regression equation are all lower than 10. Thus there is no multicollinearity problem is observed in this model.

#### 4.7. Regression Analysis

The research employed regression analysis to examine the relationship of predictor with dependent research variables. The regression equation formulated given as follows.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$$

Where: y is dependent variable performance,  $X_1$  is top level management,  $X_2$  is employment involvement,  $X_3$  is continuous improvement, and  $X_4$  is customer focus,  $\beta_0$  constant of the model,  $\beta_1$ -  $\beta_4$  is regression coefficients, and  $\epsilon$  is error terms. The result obtained from the field presented as follows.

Table 4.14. Regression Analysis

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.962 <sup>a</sup>	.925	.922	2.62182
a. Predictors: (Constant), Customer focus, continuous improvement, top management commitment, employee involvement				
b. Dependent Variable: organizational performance				

Table 4.14 above depicts for R, R- Square, Adjusted R-Square, and standard error of the estimate. The data is used to evaluate the fitness of the regression model. From the findings the adjusted R-Square which means the total quality management practices (customer focus, continuous improvement, top management commitment, and employee involvement) is .922 and can be explained as 92% of total quality management practices affects performance of selected private banks.

Table 4.15 ANOVA ( Analysis of Variance)

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9686.165	4	2421.541	352.279	.000 <sup>b</sup>
	Residual	790.502	115	6.874		
	Total	10476.667	119			
a. Dependent Variable: organizational performance						
b. Predictors: (Constant), Customer focus, continuous improvement, top management commitment, employee involvement						

Table 4.15 displays the outcome of ANOVA analysis and to ascertain goodness of fit exists among the data. The results show that the model represents data expected to be found in the active population because the F- calculated 352.279 exceed the P-value of 0.000. The finding illustrate the total quality management practice ( Top management commitment employee involvement, continuous improvement and customer focus ) is a major predictor of the total quality management practices.

Table 4.16. Regression coefficients Analysis

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.670	2.310		-1.156	.250
	Top management commitment	1.526	.097	.717	15.737	.000
	Employee involvement	.806	.118	.335	6.805	.000
	Continuous improvement	-.271	.099	-.096	-2.721	.008
	Customer focus	.020	.169	.006	.117	.907
a. Dependent Variable: organizational performance						

The equation

$$y = -2.670 + 1.526x_1 + .806x_2 + -.271x_3 + .020x_4$$

The result of the regression coefficient show that top management commitment has p-value .000 < 0.05 and both coefficient of 1.526 implying that top level management commitment directly and significantly affect the total quality management practices. Increasing the top management

commitment of total quality management practices would increase performance of banks by 1.526.

The t - test value of top management, employee involvement, continuous improvement, and customer focus was non zero and greater than 0.05 (the usual statistical rejection value). There is relationship between independent variable dimension of total quality management practices (top management, employee involvement, continuous improvement, and customer focus) and performance

#### **4.8. Analysis for open-ended questions**

Respondents were invited to express their opinion, understanding, and experience with open-ended questions. The first question presented to respondents was could you share any particular example of how you believed the bank's TQM practices improved your experience as a manager, employee, or customer? Regarding these question respondents replied the following answers

- ✓ Top management need to respond promptly to provide quality service
- ✓ Employees must be encouraged to identify and suggest ways to improve process and procedures for continuous improvement.
- ✓ Provision of employees training programs
- ✓ Focusing on customers need and meet their expectation

From the above answer from respondents it is possible to conclude that The role of top management, Involvement of employees through training, and focusing on customer improve their experience in implementing total quality management practices and improve performance.

The second questions presented to respondents were in your opinion, what are the key practices of TQM that are crucial for improving for the performance of banks? Concerning this question respondents mention the following total quality management practices as crucial to improve the performance of their bank

- ✓ Employees involvement
- ✓ Motivating and provision of training to employees
- ✓ Time Management
- ✓ Customer focus
- ✓ Continuous improvement by improving accuracy
- ✓ Understanding of the goal, policy, mission, and vision of the bank by employees
- ✓ Mangers' commitment.

From the above summarized answers from respondents it is possible to conclude that Mangers' commitment, employees' involvement ;motivation; and provision of training, focusing on customers, continuous improvement by improving accuracy, and understanding of banks' goal,

policy, mission, and vision are crucial total quality management practices in improving performance of banks.

The third question presented to respondents was how do you think TQM practices influence customer satisfaction and loyalty towards the bank? Regarding this question respondents response is summarized as follow.

- ✓ Customer focus
- ✓ Continuously improved service delivery
- ✓ Managers and employees commitment for customer satisfaction
- ✓ Prompt response to customers' complaints
- ✓ Clear understanding of customer expectation and improving service continuously to satisfy and make customers loyal to the bank.

From the above responses from respondents it is possible to conclude that customer focus, continuously improved service delivery, managers and employees commitment for customers' satisfaction, prompt response to customers' complaints, and clear understanding of customers' expectation are total quality management practices that can influence customer satisfaction and loyalty towards the bank.

The fourth question raised to be answer by respondents was having you noticed any differences in the perception and implementation of TQM practices between different branches with in your bank? Regarding this question the following are responses from respondents. Most respondents replied as if there is similarity in implementing total quality management practices in different branches of the same bank because of similarity in terms of goal, mission and vision of the bank as a whole. A given number of respondents replied as if there could be differences in implementing total quality management practices because of difference in branches mangers commitment.

From the above summarized response it is possible to conclude that there is similarity among branches in implementing total quality management practices.

The last question presented to respondents to answer was in what manner your bank is engaging employee participation for the implementation of TQM practices? Concerning this

question employees participate in the implementation of total quality management practices in the following manner:

- ✓ Being member of operational team
- ✓ Preparing action plan
- ✓ Participating in training
- ✓ Providing feedback with the available channel of communication
- ✓ Participation in resolving customer complaints

From the above summarized answer it is possible to conclude that employees of banks engaged in the implementation of total quality management through getting training and implement it, being become member of operational team, preparing action plan, providing feedback with the available channel of communication, and resolving customer complaints.

## **4.9. Discussion on Major Findings**

### **Discussion**

The purpose of the study is assessment of the effect of total quality management practices on performance of selected private banks operated in Addis Ababa. The total quality management practices were assessed in the context of top management commitment, employee involvement, continuous improvement and customer focus. Concerning to top management commitment the finding of the study pointed out that the management is proactive to upcoming changes and plans accordingly as a commitment of top management to maintain total quality; management play role of inspiring employees to build trust and eliminate fear; quality policies and goals are review regularly to meet the need of the bank; training related to quality is given to managers and supervisors throughout the bank; management provides people with the required resources; and management puts stakeholder interest first. Similar studies indicated that top management commitment is the first step toward successful implementation of TQM through leadership strategy Success of TQM in SMEs and policies, quality planning, management by fact and managing innovation (Sharma and Kodali, 2008). According to Mohamed and YuanJian (2008), in TQM organizations, top management takes personal responsibility for implementing, nurturing and refining all TQM activities. Taylor and Wright (2003) have observed that senior managers' involvement, understanding and customer focus are essential antecedents of TQM success. For TQM implementation to be successful, top management should champion its

implementation by providing leadership and engage all employees in the work of satisfying the customer with a continuously improved quality. This means that continuous improvement should be practiced everywhere in the processes and that the involvement of all employees at every level should be facilitated. This core value also includes suppliers, who over time will become partners by working with empowered employees to the benefit of the organization (Islam. A. and Haque, A. F. M.2012). The work is based on the skills and participation of every employee and his or her understanding of what is required. Top management should champion training all employees to provide the knowledge needed on the mission, vision, direction, and strategy of the organization as well as the skills they need to implement TQM and resolve problems. Keywords for commitment are information, delegation and training (Witjaksono, A. D. (2012)

Regarding to Employee Involvement the finding of the study pointed out that employees are regularly involved in operation decision making, employees are treated as important resource of the bank, employees are given feedback on company and self-performance, employees are provided with enough training on quality of management practices, employees are motivated towards the organization goals and objectives. Likewise similar studies indicated that TQM is a participative system that empowers all employees to take responsibility for improving quality within the organization. Employee empowerment and participation includes a number of factors. These factors are used for the implementation of employee involvement and quality circles, open employee participation in quality decisions, responsibility of employees for quality, employee recognition for superior quality performance, ongoing quality awareness of all employees and effectiveness of supervision in handling quality issues. Employees' empowerment and participation of soft TQM significantly relate to employees' attitudes with those perceiving a greater degree of awareness of soft TQM exhibiting more positive reactions toward job involvement, career satisfaction and organizational commitment (Boon et al., 2005; Karia and Asaari, 2006).

Relating to continuous improvement the finding of the study indicated that the bank continuously monitor and improve its process to give quality service to its customers, the bank continuously monitor and report objective versus result through internal quality audit, the bank has quality benchmark against other quality management practices for standardization, the bank detects service defects and make sure they don't happen again and plan-do-check-action is implemented. Moreover other studies pointed out that there must be nonstop change in all policies, systems and

exercises set everywhere in top administration for the organization. Recognition that TQM is a "process" not a structure necessitates that we are conferred in the long haul to the endless quest for approaches to carry out the employment better. The creative limit of organization is a measurement less shocked in authoritative analytic models in spite of the fact that there are various studies that have been centred around recognizing effect of the inventive Capacity on operation (Gavrea, Ilies, & Stegorean, 2011). Constant change and advancement, which is the most imperative piece of administrations, means scanning for ceaseless upgrades and creating procedures to discover innovative or enhanced strategies during the time, spent altering over inputs into valuable yields. It helps in lessening the procedure variability along these lines ceaselessly enhancing the yield execution, affirmed that in TQM, the most ideal approach to enhance organizational performance is to constantly enhance the execution exercises (Talib, Rahman, & Qureshi, 2010). According to Deming (1986) shows in one of his 14 focuses used for organization that, one ought to enhance always and forever improve the arrangement of creation and administration, to progress quality and profitability and along these lines continually diminish costs. Deming 18 likewise underscored the utilization of the change cycle, additionally known as the Shewhart cycle and the Deming cycle, the change cycle is made out of four phases: plan, do, study and act (PDSA). Any movement can be improved in the event that you steadily plan the change, understand the present practice, plan and accomplish the arrangements, break down the outcomes and their causes and perform the cycle once more (Adza, 2012)

Concerning to customer focus the finding of the study that the bank takes customer complains seriously, the bank focuses on creating customer centric services, the bank regularly seeks customer feedback about the performance, the bank seeks to understand expected customers' needs, the bank use feedback in improving quality of service and customers can reach the bank via a variety of platforms for communication (e-mail, phone, website, and social media). The other studies indicated that with reference to International Organization for Standardization ISO 9000-14000 accentuated shows that all jointly for the relationship to be client focused, they should center on their clientele by awareness the provisions of their present and potential client, and ought to address client issues and endeavor to surpass client longings. Focusing on the client is among the critical destinations of quality. Clients are the generally essential section and are a basic key during the business that purposeful in this study by giving them diverse organizations

to provide and cover up a foremost degree of clients (Mohammed, Alharthi, Alhabashi, & Hasan, 2014). The imperativeness of tending to and surpassing clientele needs and yearnings can transform into the reason of a strong high ground that could provoke extended profitability index and pushed efficiency rates. Shopper dependability and customer duty to the organization's things and organizations are practically identical however not unclear thoughts, as "contentment" shows a point while "dedication" induces a behavior. Together these requisites are necessary for finishing upgraded suitability, bearing in mind that the imperative pre-condition for making devoted clients is the contentment of their wants. In this way, unwavering quality is, all around, recognized to be a vital part of an organization's future accomplishment (Economou & Chatzikonstantinou, 2009). Finally, successful firms tend to gauge purchaser loyalty's, survey it against contenders' imperative results and after that, impel all the inside systems as required. Nowadays, genuinely exceptional organizations propel closer relationship with clientele in a way that engages dependability to be guarded through shopper relationship organization structures. shopper relationship organization focus on building client commitment, ensuring purchaser support, overseeing the complaint and figuring reasonable philosophies for improving buyer unwaveringness. Starting at this moment, the information got from clientele is of basic importance for the attempt, since it offers them some help with acknowledging how satisfied its customers are while they can in like manner get imperative information about their opponents' material things and organizations Customer focus (Economou & Chatzikonstantinou, 2009).

Regarding to Performance the study attempted to assess the effect of total quality management practices on the performance of the bank. The performance of the bank measured in the context of operational performance, customer satisfaction, market share and employee performance/job satisfaction. Likewise similar studies pointed out that the relation between the total quality management and organizational performance. Several past researches have clarified the relationship between Total Quality Management (TQM) and organizational performance especially the financial performance but few in non-financial organizational performance in which this research focused on. Such researches indicated that when one organization implements Total Quality Management (TQM) in an effective way, then its performance will be largely enhanced from several aspects (Ittner & Larcker, 2003). In a review of the literature covering the impact of Total Quality Management (TQM) on organizational performance, Saizarbitoria(2006) indicated that there is a positive direct relation between Total Quality

Management(TQM) and organizational performance. However, Al-Qahtani, Alshehri, Abd.Aziz (2015) noted that Total Quality Management (TQM) practices can hinder organizations from achieving their target goals. Nevertheless, the main conclusions that can be taken from this research are that education and training, employees' level of job commitment and support, leadership structures and organizational sustainability in line with organization performance of products and services can be enhanced by implementing different quality initiatives at First Bank Plc as an organization. The strategy of Total Quality Management (TQM) that concentrates on enhancing the customer satisfaction levels will directly improve the organizational performances and that Leadership commitment is considered a key element for guaranteeing a successful implementation of Total Quality Management (TQM) practices at organizations like First Bank Plc. Although this research directly focuses on impact of Total Quality Management (TQM) on organizational performance, but several other factor; such as organization size, culture and level of innovation that affects organizational performance were neglected. Therefore, future researches could study the impact of Total Quality Management (TQM) on organizational performance in wider scope by investigating the influences of the above mentioned factors on performance. Another research focus should be carried out to study the implementation of TQM in the business sector to provide a better understanding of TQM implementation at all ramification.

Operational Performances like benefit and piece of the overall industry, customer fulfillment, individuals' fulfillment, business execution, and effect on society and setting as a consequence of a quality administration project might also be resolved. All out Quality Management isn't a static trait; it's ceaselessly alterable focus as a consequence of it speaks to a charmed customer, since the client's desires rise, consequently ought to the item's quality. This practice winds up in the rule of persistent change and every month new routes that of change ought to be considered and upheld. Also, this nonstop change should be coordinated not at yields however at the inputs and procedures that the supervisor wills specifically administration. The supervisor should center rather, in accordance with TQM on enhancing structure procedures and inputs in order to improve quality, on the grounds that expanded quality can bring about customer loyalty (Kathaara, 2014). Operational performance is connected with generation capacities of the organization's creation plant to create and convey items to clients. Operational execution identifies with association's abilities to all the more productively create and convey items and

administrations that fulfil their clients. Calls attention to that enhanced operations prompts increment in the quantify of products conveyed on time, diminish in supply levels, diminish in scrap rate, increment in item quality, increment in product offering, enhanced limit use. Operational performance is connected with the accompanying advantages; diminished work cost, expanded profitability, expanded understanding of partner execution, expanded office throughput, amplifying limit and enhanced administration levels , lessened client administration grievances, decreased specialized quality protests and arranged support , talks about four markers of operational performance (Kaberger & Richu, 2015). Operational performance reflects the execution of inner operations of an association as far as quality enhancements, compliance change, conveyance change, profitability change, cost and waste lessening. Then again, feasible execution is one of the contemporary business issues, organizations must discover approaches to encourage and ecological success while making monetary thriving. The organizational economic performance markers process in present study are environment execution and social execution, while the cash associated measures, for example, deals development, profit development, return on value, and return on Assets (ROA). It is along these lines the talked about performance markers (quality, time, adaptability, expense and manageability) were utilized to gauge firm performance in undertaking operational improvement. More precise operational performance was improved by quality, flexibility, speed, and cost, social and ecological in present study. In addition, supervision individuals, innovation, authority, methodology, organization, society and employees' inclusion to change are vital variables influence the operational greatness (Yew & Ahmad, 2014). The principal marker is operations change which takes a look at the best practice of the organizational operation and the degree to which they accomplish productivity and viability in such operations. The second marker is profitability following which takes a look at departmental and organization wide following to permit compelling management of operations and give opportune criticism on performance. The third marker is the built guidelines created through time and movement studies to gauge singular benchmarks. Designed guidelines must be objective and must give exact and reasonable objectives. The last marker is motivation program that takes a gander at how performance is remunerated. Readily available are four keys to operational performance. The primary key is operations change went for improving and institutionalizing appropriation and assembling. Operations methodology must be comprehended by the partners and all partners enabled to perform the different capacities. It is imperative to

follow departmental and office wide profitability and expenses. Exact efficiency is connected with advantages, for example, adjusted staffing and best distribution of assets (Kaberger & Richu, 2015). The other performance indicator was customer satisfaction. Regarding to customer satisfaction the finding of the study pointed out that customers are satisfied with the banks response time to their inquiries, customers are satisfied with bank's communication and transparency in its operation and customers are satisfied with the bank's digital banking service and user experience. Customer satisfaction is the driving force for an organization to improve its performance (Zairi, 2000; Lagrosen, 2001). Customer satisfaction requires the company's quality improvement and the adoption of TQM principles such as customer focus and measurement of customer satisfaction (Fotopoulos and Psomas, 2009). There are two different kinds of customers: external and internal. Both external and internal customers have their specific needs. According to Rampersad (2001), to realize customer satisfaction, everyone within the organization should consider continuous improvement as something normal.

Regarding to Market Share the finding of the study indicated that the bank is effective in attracting new customers, the bank has strategy or initiative to gain or maintain market share and the bank has market share in different market segments or geographic regions. Likewise the other studies pointed out that Robert, Bradly and Ralph (2015) see market share as determinant of return on investment and therefore an increase in market share will lead to an increase in profitability.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATION

#### 5.1. Summary of the Findings

The study was attempted to deal with the effect of total quality management on performance of private banks operating in Addis Ababa. The total quality management practices were assessed in the context of top management commitment, employee involvement, continuous improvement and customer focus. On the other side the performance was measure in the context of operational performance, employee performance/job satisfaction, market share and customer Satisfaction. The findings summarized as follows.

##### **Top Management Commitment**

The finding of the study pointed out that the management is proactive to upcoming changes and plans accordingly as a commitment of top management to maintain total quality; management play role of inspiring employees to build trust and eliminate fear; quality policies and goals are review regularly to meet the need of the bank; training related to quality is given to managers and supervisors throughout the bank; management provides people with the required resources; and management puts stakeholder interest first.

##### **Employee Involvement**

The finding of the study pointed out that employees are regularly involved in operation decision making, employees are treated as important resource of the bank, employees are given feedback on company and self-performance, employees are provided with enough training on quality of management practices, employees are motivated towards the organization goals and objectives

##### **Continuous Improvement**

The finding of the study indicated that the bank continuously monitor and improve its process to give quality service to its customers, the bank continuously monitor and report objective versus result through internal quality audit, the bank has quality benchmark against other quality management practices for standardization, the bank detects service defects and make sure they don't happen again and plan-do-check-action is implemented.

##### **Customer Focus**

The finding of the study that the bank takes customer complains seriously, the bank focuses on creating customer centric services, the bank regularly seeks customer feedback about the

performance, the bank seeks to understand expected customers' needs, the bank use feedback in improving quality of service and customers can reach the bank via a variety of platforms for communication (e-mail, phone, website, and social media).

### **Performance**

The study attempted to assess the effect of total quality management practices on the performance of the bank. The performance of the bank measured in the context of operational performance, customer satisfaction, and market share and employee performance/job satisfaction. The finding of the study summarized as follows.

### **Operational Performance**

The finding of the study pointed out that the bank resolves complaints related to operation quickly, the bank comply with regulatory requirements and industry standards, the bank manage operational risks such as fraud and cyber security.

### **Customer Satisfaction**

The finding of the study pointed out that customers are satisfied with the banks response time to their inquiries, customers are satisfied with bank's communication and transparency in its operation and customers are satisfied with the bank's digital banking service and user experience.

### **Market Share**

The finding of the study indicated that bank are effective in attracting new customers, the bank has strategy or initiative to gain or maintain market share and the bank has market share in different market segments or geographic regions.

### **Employee performance/job satisfaction**

The finding of the study indicated that employees are satisfied with the leadership and management practices with in the bank, employees are satisfied with the communication and feedback channels in the bank.

### **Correlation analysis and its findings**

the correlation analysis indicated that there is positive and statistical significant association with top level management commitment and performance ( $r = .941, p < 0.05$ ). Likewise there is positive and statistical significant relationship between employee involvement and performance ( $r = .789, p < 0.05$ ). Furthermore there is positive and statistical significant relationship between continuous improvement and performance ( $r = .194, p < 0.05$ ). Finally there is positive and

statistical significant relationship between customer focus and performance ( $r = .762$ , and  $r < 0.05$ ).

### **Regression analysis and its findings**

The result of the regression coefficient show that top management commitment has p-value  $.000 < 0.05$  and both coefficient of 1.526 implying that top level management commitment directly and significantly affect the total quality management practices. Increasing the top management commitment of total quality management practices would increase the quality of total quality management practices by 1.526. The t - test value of top management, employee involvement, continuous improvement, and customer focus was non zero and greater than 0.05 (the usual statistical rejection value). There is relationship between independent variable dimension of total quality management practices (top management, employee involvement, continuous improvement, and customer focus) and performance.

### **5.2. Conclusion**

The objective of the study is assessment of the effect of total quality management practices on the performance of selected private commercial banks operating in Addis Ababa. The study attempted to answer the following research questions.

1. What is the effect of having continuous improvement on the performance of Banks?
2. How employees' Involvement contribute to performance of Banks?
3. What is the relationship between focusing on customers and performance of banks?
4. How top level management commitments contribute for the performance of Banks?
5. What is the effect of employee involvement on the performance of banks?

Based on study the findings of the study are summarized as follows. Regarding to top management as a dimension of total quality management practice the findings were the management is proactive to upcoming changes and plan accordingly as a commitment of top management to maintain total quality, the management play role of inspiring employees to build trust and eliminate fear, quality policies and goals are review regularly to meet the need of the bank, training related to quality is given to managers and supervisors throughout the bank, the management provides people with the required resources, the management puts stakeholder interest first.

Concerning to employee involvement the finding of the study pointed out that employees are treated as important resource of the bank, employees are regularly involved in operation decision making, employees are given feedback on company and self-performance, employees are provided with enough training on quality of management practices, employees are motivated towards the organization goals and objectives and the respondents are not sure that the bank management give autonomy and empower employee or not.

Regarding to continuous improvement is the dimension that is designed to describe total quality management the finding of the study indicated that the bank continuously monitor and report objective versus result through internal quality audit, respondents are not sure that the bank has a system to avoid unnecessary part of operational activity in the process, the bank has quality benchmark against other quality management practices for standardization, the bank detects service defects and make sure they don't happen again, plan-do-check-action is implemented. Customer focus was the last dimension designed to describe total quality management. Thus, the finding of the study pointed out that the bank takes customer complains seriously, the bank focuses on creating customer centric services, the bank regularly seeks customer feedback about the performance, the bank seeks to understand expected customers' needs, the bank use feedback in improving quality of service and customers can reach the bank via a variety of platforms for communication (e-mail, phone, website, and social media). To measure performance in this study four dimensions were designed. These are operational performance, customer satisfaction, employee performance/job satisfaction, and market share.

The statements designed to describe performance this dimension and the result obtained from the field presented as follows. The bank resolves complaints related to operation quickly, the bank complies with regulatory requirements and industry standards and the bank manage operational risks such as fraud and cyber security.

Customer satisfaction is an indicator of bank performance designed under this study. To describe customer satisfaction as indicator of bank performance statements were designed and the result obtained from the field presented as follows. customers are satisfied with the banks response time to their inquiries, customers are satisfied with bank's communication and transparency in its operation and customers are satisfied with the bank's digital banking service and user experience.

Market share as an indicator of bank performance against total quality management practices. The statements designed and the result obtained from the field presented as follows. The bank is effective in attracting new customers, the bank has market share in different market segments or geographic regions and the bank has strategy or initiative to gain or maintain market share.

Regarding to employee performance or job satisfaction finding of the study pointed out that employees are satisfied with the leadership and management practices with in the bank, employees are satisfied with the communication and feedback channels in the bank and respondents are not sure that whether the employees satisfied with the training and development program offered by the bank or not.

Regarding to the correlation analysis the finding of the study indicated that there is positive and statistical significant association with top level management commitment and performance (  $r = .941$ ,  $p < 0.05$ ). Likewise there is positive and statistical significant relationship between employee involvement and performance (  $r = .789$ ,  $p < 0.05$  ). Furthermore there is positive and statistical significant relationship between continuous improvement and performance (  $r = .194$ ,  $p < 0.05$  ). Finally there is positive and statistical significant relationship between customer focus and performance (  $r = .762$ , and  $r < 0.05$ ).

The finding of model summery pointed out that for depicts for R, R- Square, Adjusted R-Square, and standard error of the estimate. The data is used to evaluate the fitness of the regression model. From the findings the adjusted R-Square which means the total quality management practices (customer focus, continuous improvement, top management commitment, and employee involvement) is .922 and can be explained as 92% of total quality management practices. The result of the regression coefficient show that top management commitment has p-value  $.000 < 0.05$  and both coefficient of 1.526 implying that top level management commitment directly and significantly affect the total quality management practices. Increasing the top management commitment of total quality management practices would increase the quality of total quality management practices by 1.526.

### **5.3. Recommendations**

Based on the finding of the study the researcher recommends that:

- Private Banks under establish platform for knowledge sharing and learning, such as training sessions, workshops, and conferences, to foster a culture of continuous learning and exchange of best practices related to TQM implementation. This can further enhance the performance of private banks operating in Addis Ababa.
- Private Banks empower their employees by granting them authority and responsibility to make decisions. Involving employees in decision making process and activity seeking their input can lead to higher engagement and motivation, there by positively impacting overall performance.
- Private Banks can benefit from collaboration and partnership with other financial institutions, nonprofit organizations, and government agencies. Such collaborations can facilitate the sharing of best practice, knowledge, and resources to improve TQM implementation and performance.
- Private Banks focus on building strong relationship with their customers by providing quality service. By actively seeking customer feedback and addressing their concerns, banks can enhance customer satisfaction, loyalty, and overall performance.
- Private Banks encourage a culture of continuous improvement by promoting employee involvement and participation in decision making process. This can achieved through regular feedback mechanisms, Suggestion systems, and recognition of innovative ideas.

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## Appendix

ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF MANAGEMENT  
MASTER OF SCIENCE IN MANAGEMENT  
RESEARCH QUESTIONNAIRES

Dear respondent, my name is Zemenu Walle Student of Addis Ababa University in College of Business and Economics at the department of Management specializing in quality management and organizational excellence. As part of my learning process I have to conduct research work in the area that I am studying. This questionnaire designed and seeks to collect data on the effect of Total Quality Management Practices on the performance of your bank operating in Addis Ababa. Any information availed will be treated with utmost confidentiality and shall be used for academic purpose only. Your Identity shall not be revealed.

I thank you in advance for your kind assistance. If you have any doubt contact me on the following contact address: 09111181 92 Or [Abezem1616@gmail.com](mailto:Abezem1616@gmail.com). (Zemenu Walle )

This questionnaire has four sections. Sections A: General Information, Section B: The extent of effect of TQM Practice on performance, Section C: Respondents' extent to performance, and Section D: Open ended questions about the experience and understanding of managers, employees, and Customers on the effect of TOM practices on the performance of your bank.

### Section A: General Information

The following questions will be used only in determining the sample demographics. Please put (√) mark in the bracket without writing your name.

Gender

A. Male

B. Female

Level of Education

A. Diploma

B. Bachelor

C. Masters

D. PhD

How many years have you been working in this bank?

A. Less than 1 year

B. 1 – 5 Years

C. 6 – 10 Years

D. Above 10 Years

How many years has this bank been in operation?

A. 1 – 5 years

B. 6 – 10 years

- C.11 – 15 years  D. Above 15 years
- How many years have you been customer of this bank?
- A. Less than 1 year  B. 1 – 5 years
- C.6 – 10 years  D.Above 10 years
- Position in the bank
- A. Branch Manager  B. Customer
- B. Operational staff

### Section B: Information on the Practices of Total Quality Management

The following table contains statements on Total Quality Management practices (Management Commitment, Employee Involvement, Customer Focus, and Continuous Improvement) to evaluate their effect on performance of your bank. Based on your disposition, I request you kindly to indicate the extent to which you agree with the statement by ticking (√) against the items in the table. Key: [1] Strongly Disagree; [2] Disagree; [3] Neutral; [4] Agree; [5] Strongly Agree.

Total Quality Management Practices		Respondents				
<b>1</b>	<b>Top Management Commitment</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	The Management is proactive to upcoming changes and plan accordingly					
	The management play role of inspiring and motivating employees to build trust and eliminates fear					
	Quality policies and goals are reviewed regularly to meet the need of the bank					
	Training related to quality is given to managers and supervisors throughout the bank.					
	The management provides people with the required resources					
	The management puts stakeholders interest first					
<b>2</b>	<b>Employee Involvement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Employees are treated as important resource to the bank					
	Employees are regularly involved in operation decision making					
	Employees are given feedback on company and self-performance					
	Employees are provided with enough training on quality management practices					
	Employees are motivated towards the organizations goals and objectives					
	The bank management give autonomy to empower employee					
<b>3</b>	<b>Continuous Improvement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	The bank continuously monitors and improves its process to give quality service to its customers.					
	The bank continuously monitor and report objectives versus results through internal quality audits					
	The bank has a system to avoid unnecessary part of operational activity in the process					

	The bank has quality benchmarks against other quality management practices for standardization					
	The bank detects service defects and makes sure they don't happen again.					
	Plan – Do- Check- Action is implemented					
<b>4</b>	<b>Customer Focus</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	The bank takes customer complaints seriously					
	The bank focuses on creating customer centric services					
	The bank regularly seeks customer feedback about performance					
	The bank seeks to understand expected customers' needs					
	The bank uses feedback in improving quality of service					
	Customers can reach the bank via a variety of platforms for communication (email, phone, website, social media)					

### Section C: Respondents Extent on performance

To what extent do you rate the performance of your bank using the parameters given below? Tick as appropriately using the following liker scale of 1 – 5 Where: 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4= Great Extent; 5= Very Great Extent

	<b>Performance</b>	<b>Respondent</b>				
<b>1</b>	<b>Operational Performance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	The bank resolves complaints related to operation quickly					
	The bank comply with regulatory requirements and industry standards					
	The bank manage operational risks such as fraud or cyber security threat					
<b>2</b>	<b>Customer Satisfaction</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Customers are satisfied with the bank's response time to their inquiries					
	Customers are satisfied with the bank's communication and transparency in its operation					
	Customers are satisfied with the bank's digital banking service and user experience					
<b>3</b>	<b>Market Share</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	The bank is effective in marketing and branding efforts in attracting new customers and expanding market share					
	The bank has market share in different customer segments or geographic regions					
	The bank has strategy or initiative to gain or maintain market share					
<b>4</b>	<b>Employee performance/Job Satisfaction</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Employees are satisfied with the leadership and management practices with in the bank					
	Employees are satisfied with the communication and feedback channels with in the bank.					
	Employees are satisfied with the training and development programs offered by the bank					

Section D: Open Ended Questions

1. Could you share any particular example of how you believed the bank's TQM practices improved your experience as a manager, employee, or customer?

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2. In your opinion, what are the key practices of TQM that are crucial for improving for the performance of banks?

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3. How do you think TQM practices influence customer satisfaction and loyalty towards the bank?

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4. Have you noticed any differences in the perception and implementation of TQM practices between different branches with in your bank?

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5. In what manner your bank is engaging employee participation for the implementation of TQM practices?

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**THANK YOU!!!**