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ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF MANAGEMENT  
MSc in MANAGEMENT  
(Total Quality Management and Organizational Excellence)

EFFECT OF TOTAL QUALITY MANAGEMENT PRACTICE ON  
ORGANIZATIONAL PERFORMANCE IN THE CASE OF BUNA  
INSURANCE SHARE COMPANY

BY  
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FULFILMENT OF THE REQUIRMENT FOR THE DEGREE OF MASTER OF  
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ADDIS ABEBA, ETHIOPIA

## **Declaration**

I, Abebe Mandefro, hereby declare this research entitled “Effect of Total Quality Management (TQM) practice on Organizational Performance in the case of Buna insurance share company” is my own original work and that all the sources of materials used for this study have been identified and acknowledged as complete references. This research study has not been previously submitted in full or partial fulfillment for any degree in this university or any other recognized education institution. This research study is being submitted in partial fulfillment of the requirement for **Master of Science in Management specialization in Total Quality Management and Organizational Excellence**.

### **Letter of Certification**

This is to certify that Abebe Mandefro carried out this research on the topic entitled “**Effect of Total Quality Management (TQM) practice on organizational Performance in the case of Buna insurance SC**”. This work is original in nature and is suitable for submission for the award of the Master of Science in Management

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## **ABSTRACT**

*The main purpose of this paper was to investigate the effect of Total Quality Management practices on organizational performance the case of Buna insurance S.C. The study was explanatory research design and the researcher used quantitative research approach. The sample size of 106 respondents was drawn using Purposive sampling technique. The study findings of correlation and regression analysis showed that all constructs of total quality management (employee's empowerment, top management commitment, continuous empowerment and work process approach) were positively and significantly affect organizational performance and customer focus has insignificant effect with relation organizational performance. The findings of linear regressions analysis showed that the observed changes in organizational performance attributed by the elements of total quality management practice is 75.7% ( $r^2=0.757$ ). These study also reveals from five major elements of total quality management practices, to fill the gap of explaininig how to affect the organizational performance in the case of buna insurance share company.*

### *Keywords:*

*Total Quality Management, Customer Focus, Top Management Commitment, Employees' Empowerment, and Continuous Improvement, work Process Approach, organizational performance.*

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

Total quality management (TQM) is a firm-wide management philosophy of continuously improving the quality of the products/services/processes by focusing on the customers' needs and expectations to enhance customer satisfaction and firm performance (Sadikoglu, E., & Zehir, C. (2010). Total quality management (TQM) as management process and philosophy can be used to continuously improve all business activities or organizational functions (Zineldin, M. (2000). In 21th century globally competitive marketplace, the demands and requirements of customers are gradually increasing as they require not only improved quality of services and products based on their specifications but also flexible, responsive and cost-effective producer or services provider. For this reason, many companies are looking for different strategies including quality management approaches six sigma, lean, total quality management (TQM) and others to survive in this dynamic environment and maintain a competitive advantage over their rivals. Continuous improvement of all business activities with a focus on the customers throughout the entire organization and an emphasis on flexibility and quality is one of the main means by which companies face up to these competitive threats. Total quality management (TQM) as management process and philosophy could be continuously improved all business activities or organizational functions.

Fulfilling customers' need satisfaction is expected from organizations that engaged in the production of goods and services (Hamdan, 2008). Business organizations that produce poor quality goods are at the risk of consumer loyalty loss. Despite the capital outlay input in an organization, if the employees are not empowered to correct quality inadequacies or are not trained enough for effective and efficient productive output, companies' competitiveness and share in the world market would remain in skeptical conditions (Belayneh, 2011).

In service organization need to improve the quality of their products & services so as to remain competitive & cope up with increasing business challenges. To meet the challenge of global competition, many businesses have invested substantial resources in adapting and implementing Total Quality Management (TQM) strategies (Demirbag M, et al, 2006).

Total quality management (TQM) is a new management paradigm in which all internal measures of organizations are related to assessment of responsiveness to customer needs and expectations (Alen, meyer, 1990).

Research with appropriate analytical methodologies and measuring tools can significantly contribute to investigating work on TQM which analyze reasons of the relationship between TQM practices and performance (Sadikoglu, E., & Olcay, H. (2014).

## **1.2 Statement of the problem**

According to Das et al. (2014) discusses, the focus of companies, due to competition in global market, is to study and analyses the leading examples of quality, significance of improvement and excellence is the key factor identified for success. One of the determinants of success of a firm is how the customers perceive the resulting service quality provided. It is the perceived value which determines organizational performance (Wu, et al., (2007). The concept of total Quality Management (TQM) is the dynamic factor behind the changes taking place within any organization performance (Stephens, K. S. (2020). Firm performance comprised the actual output or results of an organization as measured against its intended outputs (or goals and objectives), it involved the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently (J.P. Richard, M.T et al., 2009). To improve their performance firms looking for higher level of effectiveness across all areas and processes have chosen TQM as a strategy (S. Baidoun, 2003).

These days in our world competitive market increasing time to time through different factors, the that great role for insurance company insurance policy main factor for their development and the other factors internal working processes approach, employee satisfaction, customer focuses, top management commitment are the main factors. However, most organization ignores how providing quality service for their effectiveness and do not measure day today their company performance.

Most of the previous studies report that overall TQM practices have positively significant effect on organizational performance both in manufacturing and services industry performance related with productivity, services and manufacturing performance (R. H. Chenhall (1997) & (R. Mann

and D. Kehoe (1994). As Previous studies have found that leadership/ top management commitment,

Employees' empowerment, customer focuses and Continues improvement improves operational and organizational performance (Sadikoglu, E., & Zehir, C. (2010). However, some authors have found that TQM practices insignificant or negative results on organizational performances (Sadikoglu, E., & Olcay, H. (2014).

To alleviate problems facing the company market competitiveness and organizational performance have effect of total quality management practice and needs to be considered as an efficiency, improving approach and its effect needs investigation on organizational performance (Sadikoglu, E., & Olcay, H. (2014). According to Seetharaman, a et al., (2006). There are few empirical studies that were conducted in the area of total quality management effect and firms' competitive position and organizational performance (i.e., from customer focus, employee empowerment, work process approach, top management commitment and continuous improvement in organizational performance). In order to be competitive in both local and global market, increase the organizational performance Ethiopian insurance company needs to improve the quality of their services. Therefore, this paper attempts to identify and analyze the Effect of Total Quality management practice on organizational performance in the case of Buna insurance share company. Buna insurance share company is faced with the challenge of stiff competition from opponents which forced to implement TQM. The purpose of this study is to establish how the five pillars of TQM practice namely employee relationship, Customer focused, work processes approach continuous improvement and Top management commitment effect on the business performance of Buna insurance S.C.

Therefore, the effort to achieve generalization of the Cause and Effect relationship between TQM effects on Organizational performance. As per empirical study and theoretical gaps that TQM have significant effect and insignificant effect so this paper is to contribute to the debate by testing the effect of TQM Practices on Organizational performance in the case of Buna Insurance S.C.

### **1.3 Research Questions**

1. What is the effect of customer focus on organizational performance in the Buna Insurance S. Company?
2. What is the effect of working process approach on organizational performance in the Buna Insurance S. Company?
3. What is the effect of employee's empowerment on organizational performance in the case of Buna insurance S. Company?
4. What the effect of Continuous improvement on organizational performance in the case of Buna insurance S. Company?
5. What is the effect of top management commitment on organizational performance in the case of Buna insurance S. Company?

### **1.4 Objective of the Study**

#### **1.4.1 General Objective**

The general objective of this study to examine the effect of TQM practice on organizational performance in the case of Buna insurance Share Company.

#### **1.4.2 Specific Objective**

- To analyze the main effect of customer focus practice on organizational performance in the case of Buna Insurance S. Company.
- To analyze the main effect of working process approach in organizational performance in the case of Buna Insurance S. Company.
- To analyze the effect of employee empowerment on the organizational performance in the case of Buna Insurance S. Company.
- To analyze the effect of continues improvement on the organizational performance in the case of Buna Insurance S. Company.
- To analyze the main effect of top management commitment in organizational performance in the case of Buna Insurance S. Company.

## **1.5 Hypothesis**

- H<sub>a1</sub> Customer focus has significant effect on organizational performance in Buna insurance S. Company.
- H<sub>a2</sub> Top management commitment has significant effect on organizational performance in Buna insurance S. Company.
- H<sub>a3</sub> Employee empowerment has significant effect on organizational performance in Buna insurance S. Company.
- H<sub>a4</sub> Continues improvement has significant effect on organization performance in Buna insurance S. Company.
- H<sub>a5</sub> working process approach has significant effect on organizational performance in Buna insurance S. Company.

## **1.6 Significance of the study**

The study aims to examine the effect of TQM practices on Organizational performance. Accordingly, this study given the below listed benefits:

Buna Insurance S.C shareholders, managers and employees might have also used for the findings of this study to evaluate and determine their competency needs and integrate TQM Practice with their business strategy. The study may also give green light and used as reference to academicians and students who need to conduct further research on related areas in Ethiopian business situation. Generally, the researcher would believe that the study gives and creates awareness about the concept, principles, benefits and effect of TQM on Organizational performance.

## **1.7 Scope of the study**

The researcher was restricted the scope of the study to Buna Insurance S.C HQ here in Addis Ababa and was taken the sample from the total population of Buna Insurance S.C HQ employees. Total Quality management is a very wide field of area and this study only focus on five Quality Management dimensions such as Customer focus, Continues improvement, Top man-

agement Commitment, employee's empowerment and their effect on Organizational performance of Buna insurance S.C.

## **1.8 Limitation of the study**

The major constraints faced by the researcher while conducting this study were: First, lack of observed research on the related study area especially in the country, and also the non-availability of adequately published and recognized data on the topic Lack of previously done articles for revisions on the topic area by other researcher in the country Lack of sufficient secondary data enforces the researcher to depend on only primary data which is collected through structured questionnaires The respondents are only those on clerical work & more focus was given to supervisors & managerial position since it requires their Insurance experiences. In addition to the above the researcher has lack of experience to conduct well organize research before; based on this the researcher have limitation and created its own negative influence on the study.

## **1.9 Definition of terms**

- **Customer focus:** - Organizations rely on their customers, so they must understand the current and future needs, and achieve their needs, and work to exceed their expectations (Kandampully, J. (1998).
- **Employee empowerment:** - The principle of employees' empowerment consists in developing employees' capacity to act and to decide independently in solving problems, and to engage in quality improvement projects and practices (Mengistu, H. Shimeles (2019) In order to perform this function, employees are given continual and extensive training in quality measurement tools (Saraph, J. V., et., al. (1989).
- **Top management commitment:** - Leaders in a TQM system view the firm as a system; support employee development; establish a multipoint communication among the employees, managers, and customers; and use information efficiently and effectively (Siregar, I., Nasution, et. al., (2017).
- **Work process approach:** - Desired outcome achieved more effectively and efficiently when resources and activities are managed as a process related (Al-Damen, R. A. (2017).

- **Continuous improvement:** - A major component of TQM is continual improvement. Continual improvement leads to improved and higher quality processes (Al-Damen, R. A. (2017)).

### **1.10 Organization of the Study**

The study has five chapters. The first chapter will include the general background of the study, statement of the problem, basic research question, general and specific objectives, significance of the study, scope of the study, limitation of the study, definition of terms and hypothesis. The second chapter deals with reviews of literature. In the third chapter the researcher will include the research methodology. And the detail data analysis, interpretation and result were presented in chapter four. In the final chapter, Summary of Finding, Conclusion and possible recommendation was presented.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Theoretical Review**

This section discusses the theoretical review and empirical evidences on TQM practices on organizational performance are identified for this study based on the relevance and effect of TQM practices on organizational performance to insurance company, and the effect of TQM practices mentioned in previous literatures. TQM practices over organizational performance are discussed and finally conceptual frame work and evidence is drawn from literature review.

##### **2.1.1 Concept and Definition of TQM**

Total quality management is a technique that facilitates the efforts of improving the product or service quality (Powell, T.C, 1995). The main focus of TQM is mostly is on refining the quality of an organization products and services. It is also emphasis on the overall activities of an organization to achieve its objectives that requires the whole organization-wide participation and commitment to TQM. Similarly, the active participation and collaboration of managers at different levels of the organization is necessary for the fulfillment of different goals (Bayazit and Karpak, 2007).

Total quality management (TQM) movement can be traced back to the 1980s powered by major quality gurus like Deming, Juran, Crosby, Feigenbaum, who will the first to use the term and also make the point of the need for Top management involvement (Petersen, P. B. (1999) & (Toke, L. K., & Kalpande, S. D. (2020). In addition, Ishikawa and Taguchi had major contributions to the TQM Movement (Martínez-Lorente et al., 1998; Gupta, 2005; Fonseka, 2015).

In the 1950's total quality movement started in the United State of America (USA) more as quality control, went back to Japan and came back to the United State of America strengthened as a total quality management philosophy (Dahlgaard-Park, S. M. (2011). TQM first implemented in the developed countries, particularly in USA, Japan and Western Europe countries, as a means of maximizing customer satisfaction, gaining better product quality, and obtaining higher productivity through the systematic removal of waste and the reduction of non-productive activities (Goshime, Y., Kitaw, D., & Jilcha, K. (2019). In the 1990s, a significant volume of research was performed to investigate the relationship between practices of TQM and organizational per-

formance, and TQM appears to be a well-accepted system of management (Antunes, M et al., (2017). These theories and researches have gradually develops a set of TQM theoretical systems. Based on the theoretical system and the practical results from the organizations, TQM has been proved as a particularly successful approach to improve organizational performance (Bhaskar, H. L. (2020). It views an organization as a collection of processes in all levels. The use of workers' knowledge and experience is crucial for the continuous improvement of the processes in the organization (Abualoush, S et al., (2018). They can also be used for the firms who have already used TQM for some time to assess the progress and to improve their organizational performance (Sadikoglu, E., & Zehir, C. (2010).

### **2.1.2 Theories and Principles of TQM**

The evolution of TQM happened in a few stages which is identified as Inspection, Quality Control, Quality Assurance and now total quality management (Loughlin, 2008; Singh, 2014)

Furthermore, Deming has forwarded the 14 management principles that facilitate the role of managers to enhance the quality of organizations. While Deming's principles were stressing on the internal role of the organization was more interested on the customer's point of view of products' fitness for use or purpose. A product can satisfy with all the Deming's specifications and still not be appropriate for use or purpose (Ortiz, J.P. et al., 2006)

Deming's 14 management principles are:

- 1 Create constancy of purpose toward improvement of product and service, with the aim to become competitive and to stay in business, and to provide jobs.
- 2 Adopt the new philosophy. We are in a new economic age. Western management must awaken to the challenge, must learn their responsibilities, and take on leadership for change.
- 3 Cease dependence on inspection to achieve quality. Eliminate the need for inspection on a mass basis by building quality into the product in the first place.
- 4 End the practice of awarding business on the basis of price tag. Instead, minimize total cost. Move toward a single supplier for any one item, on a long-term relationship of loyalty and trust.

- 5 Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease costs.
- 6 Institute training on the job.
- 7 Institute leadership. The aim of supervision should be to help people and machines and gadgets to do a better job. Supervision of management is in need of overhaul, as well as supervision of production workers.
- 8 Drive out fear, so that everyone may work effectively for the company.
- 9 Break down barriers between departments. People in research, design, sales, and production must work as a team, to foresee problems of production and in use that may be encountered with the product or service.
- 10 Eliminate slogans, exhortations, and targets for the work force asking for zero defects and new levels of productivity. Such exhortations only create adversarial relationships, as the bulk of the causes of low quality and low productivity belong to the system and thus lie beyond the power of the work force.
- 11 Eliminate work standards (quotas) on the factory floor. Substitute leadership. Eliminate management by objective. Eliminate management by numbers, numerical goals. Substitute leadership
- 12 Eliminate management by objective. Eliminate management by numbers, numerical goals. Substitute leadership. Remove barriers that rob people in management and in engineering of their right to pride of workmanship. This means, inter alia, abolishment of the annual or merit rating and of management by objective.
- 13 Institute a vigorous program of education and self-improvement.
- 14 Put everybody in the company to work to accomplish the transformation. The transformation is everybody's job.

The core TQM principles are mainly focusing on capacity building of employees in relation to the main statistical techniques and problem-solving. Unlike machines which depreciate over time, employees should be considered as an asset which escalates in value in training. According to, Ana and Ghiorghe (2014) accepted this fact when they wrote that in Japan, TQM produced among others managerial innovations as quality circles, equity circles, 2 supplier partnerships, cellular manufacturing, quick production and effective planning strategies. These TQM princi-

ples were found to be employed in various fields of human endeavor for effective implementation of any objective (Ana and Ghiorghe, 2014).

## **2.2 Empirical Review**

### **2.2.1 Parts of Total Quality management Principles**

Since 1950 the development of total quality management is credited mainly to the works of various American experts such as Edward Deming, Joseph Juran and Philip Crosby (Ortiz, J.P. et al., 2006). Deming's Theory: Deming identified fourteen points of management in his theory of Total Quality Management (Ortiz, J.P. et al., 2006)

### **2.2.2 Elements of Total Quality Management**

There are many elements of total quality management developed by different quality scholars. Some of principles of total quality management are outlines as follows;

#### **2.2.2.1 Focus on Customer:**

The first and the most important characteristics of TQM are the attention granted by the company to the customers. In a total quality management setting, customers define quality and employees or the company produces it. This is the quality level is granted to the customer. In any case, it is not always easy to determine what a client or customers desires, because the tastes and preferences may change frequently (H. Mohideen and J. Vijayavel, 2014)

The benefits of customer focus practice have been confirmed in various types of firms, such as manufacturing (Mojtahed zadeh and Arumugam, 2011), retail (Chotekorakul and Nelson, 2013; Tajeddini et al., 2013), service (Alam, 2013; Dadfar et al., 2013), hospitality and tourism (Sun and Kim, 2013), and public service (Fonseca et al., 2010). Although the bottom line of this practice is to attain customer satisfaction, its effect on other firm performance measures, such as financial results and employee satisfaction, also reportedly exist (Anaza and Rutheford, 2012; Chotekorakul and Nelson, 2013). TQM firms focus on serving the external customers. They first should know the customers' expectations and requirements and then should offer the products/services, accordingly. By the aid of successful customer focus efforts, production can be ar-

ranged with respect to the customers' needs, expectations, and complaints (Esinn Sadikoglu, Hilal Olcay, 2014).

### **2.2.2.2 Employee Empowerment**

According to Oakland (J.S. Oakland, 2004), due to technological advances, globalization and variation or fluctuation in demand for products and services worldwide has created relative instability, cyclic hiring and downsizing in many organizations. However, during these times the way in which people are managed and developed at work has become recognized as one of the primary keys to improved and sustained organizational performance. Employing the people who will most carry your team towards an overall goal of customer satisfaction is the key to the functions of every business. In TQM, employees are involved not only in decision making, but also in processes creating that precede decision making. Employees must be encouraged and involved to participate in quality management by using control tools and techniques and the areas needing improvement (S. Chand, "TQM, 2017).

Quality management defines the path where organizations are managed in order to achieve efficiency, success, and competitive preeminence which are essential for long term organizational success. the Empowerment process is designed to raise employees' awareness of their strengths and potential and to provide them with the opportunity of running the company and at the some-time enable them to grow and develop by helping them identify the best way to meet customer needs and by the end of the process be better able to achieve maximum customer satisfaction (Mohamed Ashi, et al, 2016)

### **2.2.2.3 Top management commitment**

Several researches supported the tact the strong commitment from the top management is a cornerstone in the total quality management philosophy. The result of top management commitment is higher quality performance (Saraph et al., 1989; Flynn et al., 1994; 1995; Ahire et al., 1996; Juran, 1988; Anderson et al., 1995). Top management is a catalyst in the TQM implementation, establishing values, goals, and systems to meet and exceed the expectation of customer and leading to improved organizational performance (Ahire et al., 1996; EFQM Award, Wilson and Collier 2000 and KAAPS 2010). Anderson et al. (1994) stated Leadership concept is the ability of

top management to create a process, strategic vision for the organization, which is focus on customer requirement. According to Juran & Gryna (1993), top management is to establish quality policies, establish and deploy quality goals, provide resources, provide problem-oriented training, and improvement. Effective knowledge and process management design minimize the negative effects on the environment. Furthermore, as the processes become prevention oriented, costs are reduced and profit of the firm increases (Esin Sadikoglu, Hilal Olcay, 2014).

#### **2.2.2.4 Work process approach**

Historically leaders and managers have focused on the outcome measures. They always focus on the maximum output with acceptable quality levels. These are valid issues but they neglect the importance issues of how to achieve this output. A good leader will always look to understand the system which generate results and drive improvement in the system (G. Knowles, 2015). Results could be achieved more efficiently if necessary; activities and resources are bundled and managed as a process. For this purpose, individual process steps need to be defined, inputs and outputs determined and the interfaces with the organization's function identified. Keeping a team focused on the functional operation of work systems and devising plans that help employees to be educated and well-trained in their particular fields will allow for the company to grow and flourish. In this dynamic environment business is conducted today is characterized by what has been referred to as "the six c's:" change, complexity, customer demands, competitive pressure, cost impacts, and constraints (Haile shitahun, 2020).

#### **2.2.2.5 Continuous improvement**

Another concept of the TQM philosophy is the focus on continuous improvement. Traditional systems operated on the assumption that once a company achieved a certain level of quality, it was successful and needed to make no further improvements. Continuous improvement, called kaizen by the Japanese, requires that the company continually strive to be better through learning and problem solving (Haile shitahun, 2020). According to, Hisin-H,Cheng (2005) Total quality includes 'soft' aspects of management such as leadership and organizational culture, and 'hard' aspects such as organizational systems and statistical techniques. Oakland (2000) observes 'total quality is a management philosophy that has developed incrementally over time, and continues to

do so' while Hackman & Wageman (1995) suggest, 'TQM properly implemented and combined with the appropriate organizational variables, may be a vehicle that allows organizations to dynamically maintain a fit with their environments in a competitive and sustainable fashion.' The need to integrate measures is also suggested by Douglas & Judge (2001) 'TQM clarifies the relationship between the degree of implementation of TQM practices and organizational performance and tentatively identifies complementary variables whose synergistic effect enhances several important contributions to that relationship.

Most of the previous studies report that overall TQM practices have positively significant effect on organizational performance both in manufacturing and services industry performance related with productivity, services and manufacturing performance (R. H. Chenhall (1997) & (R. Mann and D. Kehoe (1994). TQM practices - leadership Commitment, employees' empowerment, Customer focus and Continuous improvement improves operational and organizational performance (Sadikoglu, E., & Zehir, C. (2010). However, some authors have found that TQM practices insignificant or negative results on organizational performances (Sadikoglu, E., & Olcay, H. (2014).

### 2.2.3 TQM and Organizational Performance

Despite wide acceptability of TQM as a process intervention to maintain organizational performance, firms are still striving for continuous improvement in order to survive in a competitive and uncertain environment. For this type of organizational development, organizations use socio-technical system intervention as a means to increase productivity and employee satisfaction. Socio-technical system intervention lays emphasis on TQM, quality circles and self-directed work teams; the factors that determine the effectiveness of an organization (shahid Mohamed et. al, 2014). According to, Faris Alghamidi, (2018), Organizational performance is a multidimensional construct that evaluates the position of an organization pertained to internal or external standards. Organizational performance and effectiveness are the most well-known concepts for evaluating organizations. The former concept is used for evaluating private organizations, and the latter is for evaluating public organizations. Performance measurement is an integral part of all management processes and traditionally has involved management accountants through the use of budgetary control and the development of financial indicators such as return on investment (Davood Gharakhani, et. al. 2013).

Using a systematic process helps to optimize the use of resources, ensure the availability of trained employees, and ensure bridging between short-term and long-term requirements that may entail capital expenditures or supplier development. A good strategic planning process often includes active participation of top management, employees and even customers or consumers (Okeoma, V. Chuks 2019). many studies measure performance in terms of financial measures only, like market share value, return on investment and profit (Hassan, A. S., & Jaaron, A. A. (2021).

### 2.2.4 Conceptual frame work

In today's globalized business world, competition has potential challenges to provide good quality of products or services. Companies need to become more active for better quality in order to obtain a sustainable competitive advantage (Benavides-Velasco et al., 2014).

Total quality management includes many elements like customer focus, top management commitment, continuous improvement, employee empowerment and process approach (Pheng, L. S., & Teo, J. A. (2004). This study will set a framework identifying the relationships among TQM (Customer focus, Top management Commitment, continues improvement, Employee's empowerment, work process approach) as related to their effects on Organizational performance.

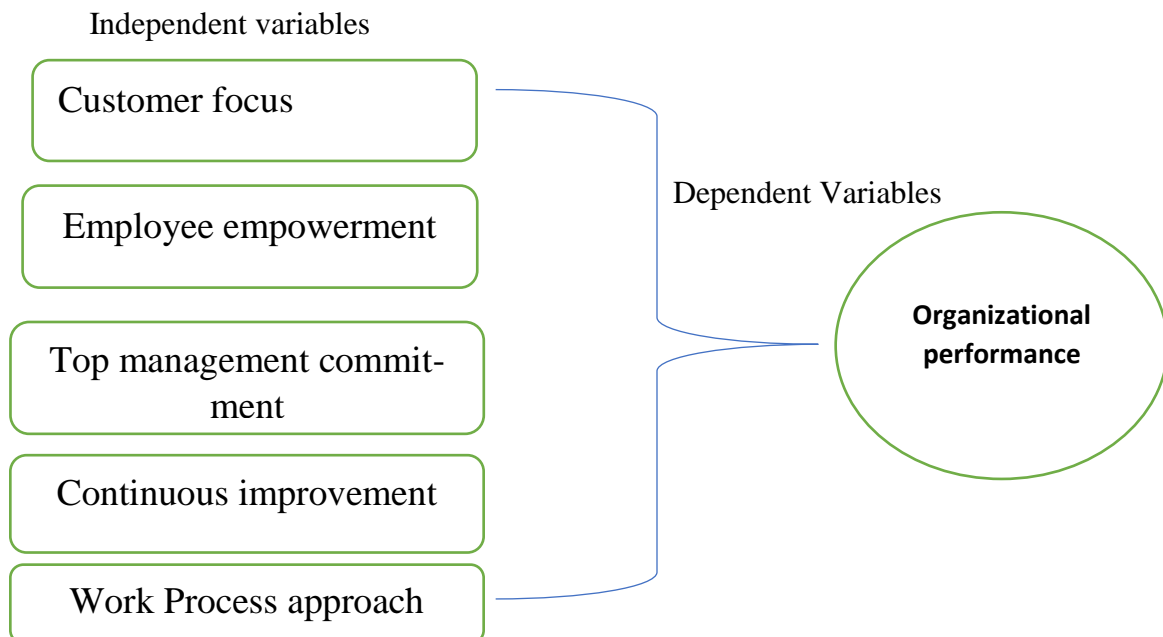


Fig 1 Adopted from Mengistie, H. S. (2019)

# **CHAPTER THREE**

## **RESEARCH METHODOLOGY**

Business research is more than conducting surveys and this process includes ideas and theory development, problem definition, searching and collecting information, analyzing and interpreting collect data, and communicating the findings and their implications to end user (Zikmund, 2014). Hence, this chapter was discussed the research methodology of the study. It deals with the research approach, design, research population and sampling determination, data collection and analysis methods are employing to answer the research questions.

### **3.1. Research Approach**

The researcher was used a quantitative approach. Quantitative research involves studies that make use of statistical analyses to obtain their findings. Key features include formal and systematic measurement and the use of statistics. (Geoffrey Marczyk, David DeMatteo, and David Festinger 2005) Quantitative Research approach is used to quantify the respondent's the effect of TQM practices on organizational performance in Buna Insurance Share Company by generating numerical data or data that can be transformed into useable statistics.

The study followed inferential statistics for quantitative approach. So, the study was used quantitative research approach.

### **3.2. Research Design**

Designing a study helps the researcher to plan and implement the study in a way that helps the researcher to obtain intended results, thus increasing the chances of obtaining information that could be associated with the real situation (Burns & Grove 2001). The researcher used explanatory Research design and this was help to assess and analyze the effect of TQM practices on Organizational performance of Buna Insurance S.C. The research purposed was to Examine the effect of TQM on organizational performance and hence the researcher was used Explanatory. Explanatory study to examine the relationship between variables and effect of independent variables on dependent variable. According to Kothari, (2004), those two research designs may facilitate research to be as efficient as possible yielding maximum information. On the other hand, explanatory research designs, emphasis on studies of the discovery of ideas and insights

### **3.3 Source of Data**

The researcher used primary source of data for the entire analysis of this study. The information will gather through questionnaire from the select sample of respondents/ employees of Buna Insurance S.C. The data that were collected from the respondents through questionnaires was used as primary data. In addition, the researcher collected secondary data through reviewing some publish journal and documents provided by the company as a secondary data source.

### **3.4 Population and Sampling Techniques**

#### **3.4.1 Target Population**

Population is defined as the entire set of individuals or other entities to which study findings are to be generalized (Schutt, 2011). For this study the target population took from Buna Insurance S.C HQ all permanent employees. Therefore Buna Insurance Share Company has 220 permanent employees for the year of 2021 in the Head Quarter.

#### **3.4.2. Sampling Size Determination**

To give equal chance to be representative of that population, Purposive sampling technique was used to draw samples from employees. Convenience / purposive sampling approach for reliable information. Hence, in this study the researcher will use questionnaire and distribute for those respondents as per the sample size. According to Diamantopoulos et al (2000), a sample size at least 30 should be considered to use statistical procedures.

In the determination of sample size, the three criteria will very important to gather the required data from sample respondents. These included the level of precision, the level of confidence or risk and the degree of variability in the attributes being measure that enable the researchers to determine appropriate sample size (Miauous & Michener, 1976). Therefore, by considering these issues sample size to collect data through questionnaire for this research will determined by using Yamane's (1967) formula.

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

Where: n = the sample size N=the study population e = the level of precision 1 = designates the probability of the event occurring. Therefore:

$$n = 220 / 1 + 220(0.07)^2 = 106$$

Therefore, 106 respondents were used as sample for this study to gather data through questionnaire.

### 3.5 Method of Data Collection

Primary data is first-hand information, data collected directly from an original source. Primary data can be collected through observation, interviews, or the use of questionnaires (Saunders *et al.*, 2009). The study used questionnaires to collect primary data for quantitative analysis. The data will be gathered through questionnaires, Closed and Open ended because the researcher will plan to collect data through Structured Questionnaire and also the researcher used closed ended for respondents through their question papers.

The data were collected through questionnaires method analyzed through **descriptive** and inferential statistical methods that are through Regression and correlation and to analyze the cause-and-effect relationship the researcher used inferential Statistics. The questionnaires have a five – point Likert-type response scale

(1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree).

For the primary data self-administered Questionnaires distributed to Buna Insurance S.C 156 respondents.

### 3.6 Validity of the study

According to Leedy *et al.* (2010), the validity of a measurement instrument is the extent to which the instrument measures what it is intended to measure. Leedy *et al.* (2010) further explained the importance of validity- the accuracy, meaningfulness, and credibility of the research project as a

whole. The research afforded worth the time and effort only to the extent that it allows the researcher to draw meaningful and defensible conclusions from the data. Two basic questions are explained here when considering the validity of the research study: First, does the study have sufficient controls to ensure that the conclusions we draw are truly warranted by the data? Second, can we use what we have observed in the research situation to make generalizations about the world beyond that specific situation? The answers to these questions address the issue of internal validity and external validity respectively.

### **3.6.1 Internal Validity**

According to Leedey et al (2010), internal validity of a research study is the extent to which its design and the data it yields allow the researcher to draw accurate conclusions about cause - and-effect and other relationships within the data. Respondents might have different knowledge and experiences about Total Quality Management practices in their respective enterprises. And they may be reactivity a more general phenomenon in which people changes their behavior when they are aware that they are being observed. In this case, respondents will well be informed with the covering letter about the objectives of the research and the confidentiality of the information they provide (ethical issues)

### **3.6.2 External Validity**

According to Leedey et al (2010), the external validity of a research study is the extent to which its results apply to situations beyond the study itself, in other words, the extent to which the conclusions drawn can be generalized to other contexts. he three commonly used strategies that enhance the external validity of a research study i.e., a real-life setting, a representative sample and replication in a different context were used to increase the external validity and the generalization of the results of the study.

According to Kothari (2004), Validity is the most critical criterion and indicts the degree to which an instrument measures what it is supposed to measure.

As stated on the methodology, questionnaire was used to collect the primary data. Therefore, to assure validity of the instrument the researcher gave a chance for professionals on the area to re-

view the questionnaire and a pilot test were conducted before distribution of the questionnaire at full scale and finally it was validated by the advisor.

### **3.7 Method of Data Analysis Techniques**

Descriptive and inferential Statistical Techniques will use and Statistical package for social sciences (SPSS Version 25) also used to facilitate the computation. The data collected analyzed by correlation and Regression analysis because it helps to investigate the relationship between the independent with dependent variable i.e., TQM with its effect on the dependent variables, Organizational Performance.

To analyze and present the demographic data, and to describe the data the researcher used descriptive analysis (Table, Figure, Mean,) was used for this research. To analyze the relationship among variables the researcher implemented Correlation and also the researcher used regression analyses to measure the effect of TQM practices on Organizational performance.

### **3.8 Reliability**

According to Leedey et al (2010), Reliability is the consistency with which a measuring instrument yields a certain result when the entity being measured has not changed. Leedey et al (2010) further explained that we can measure something accurately only when we can also measure it consistently. Yet, measuring something consistently doesn't necessarily mean measuring it accurately. In other words, reliability is necessary but insufficient condition for validity.

The respondents will be selected for this research are involved in the business and have the experience related to Total Quality Management. Hence, they have given credible answers to the questionnaires. The same answer would probably be given to another independent researcher. Therefore, the researcher believed that this study was reliable.

To check reliability and internal consistency of the measurement items the researcher tested the reliability through Cronbach's alpha.

### **3.9 Ethical Considerations of the Research**

According to Leedy et al (2010), most ethical issues in research fall into one of four categories: - protection from harm, informed consent, right to privacy and honesty with professional colleagues. Since the propose methodology mainly utilizes questionnaires and interviews as a means of data collection, participants on this study informed in advance about the nature of the study and their participation on voluntary basis. The information treated confidentially and with anonymity of the respondents. Due to respect and consideration to be given to personal and professional opinions. A moral obligation between the researcher and the participant is to be all times honest and maintains privacy.

## CHAPTER FOUR

### RESULT AND INTEROPERATION

This chapter presents the results of the analysis of the data obtained from the respondents through questionnaires and have three main section .In the first part discuss about demographic related, on the second section the researcher discuss about descriptive and at the end inferential analysis [correlation and regression] analysis discussed .The target population for this study was selected from Buna Insurance Share Company there are 106 respondents. And from the distributed 106 questionnaires 102 respondents returned.

$$\text{Response Rate} = \frac{\text{Number of respondents that cooperated}}{106} = \frac{102 \times 100}{106} = 95.2 \%$$

#### 4.1 Reliability Test

To study consistency of the data collected, reliability test was done on the data collected on each statements. Reliability test was made using Cronbach's Alpha; we can say a measuring instrument is reliable if it provides consistent results (Kothari, 2004). In the study a very high Cronbach's Alpha value was realized (the more it tends to 1 the better it is); as per SPSS Version 25 Result the table below which proves that the data is highly reliable.

Table 4.1

<b>Reliability Statistics</b>		
	Cronbach's Alpha	N of Items
Customer focus	0.712	6
Top management commitment	0.747	6
Employee empowerment	0.736	6
Continuous improvement	0.732	6
Work process approach	0.752	6
Organizational performance	0.762	9
<b>Cumulative Cronbach's Alpha</b>	0.735	39

Source: Own Survey Result, 2021

As per the above table the average reliability test result is .737 this implies that the data collected was reliable.

## 4.2. Data Processing

The completed questionnaires were coded in excel and inserted into SPSS version 25. This software program was used to analyze the data. Descriptive statistical analysis used to reduce large amount of data to summarize frequencies, means and standard deviations. Based on the descriptive statistics the collected data for each question and respondents is summarized and in addition to this to analysis the data the researcher used regression and correlation analysis with the support of this software package.

## 4.3. Demographics Respondent

**Table 4.2 Demographic respondent**

<b>female and Male</b>			
		Frequency	Percent
Valid	Female	60	58.8
	Male	42	41.2
	Total	102	100

**Table 4.3**

<b>Age</b>			
		Frequency	Percent
Valid	18-29	28	27.5
	30-40	35	34.3
	40-50	34	33.3
	above 50	5	4.9
	Total	102	100

**Table 4.4**

<b>Highest Level of Education attained</b>			
		Frequency	Percent
Valid	Diploma/Certificate	24	23.5
	BA/BSC	68	66.7
	MA/MSC	10	9.8
	Total	102	100

**Table 4.5**

<b>Monthly Salary</b>			
		Frequency	Percent
Valid	Less than 3,000.00	7	6.9
	3001-5000	20	19.6
	5001-10,000.00	23	22.5
	above 10,000.00	52	51
	Total	102	100

**Table 4.6**

<b>Year of services in the Company</b>			
		Frequency	Percent
Valid	Less than 1 Year	3	2.9
	1-3 Years	27	26.5
	3-5 years	36	35.3
	Above 5 years	36	35.3
	Total	102	100

**Source: Own Survey result, 2021**

As indicated in table 4.1 from the total 102 respondents 60(58.8 %) of them are Female respondent and 42 (41.2 %) of them respondent is male, this implies that Female respondent greater than Male. The company more emphasis for women workers and one human hiring criterion for women empowerment.

As indicated in Table 4.2 most of the respondents were categorized under Officer (48 %). senior officer (31.4 %), under writer /Officer 48 %), manager (4.9 %), other (15.7 %), of the total valid respondents. From this we can assume that as this level of position they are well informed in practically implemented the concept of Total quality management practice. Hence, the response could be reliable.

As indicated table 4.3 indicates that the age of respondents have more productive aged, the working age of human capital is between 15 to 64 more productive range for one company (Day, C., & Dowrick, S. (2004).

As indicated in Table 4.4 most of the respondent's educational level was 1st degree (66.7 %), diploma holders were (23.5 %), second degree holders were (9.8 %).

As indicated in Table 4.6 most of the respondents (35.3 %) were working at the Buna in share insurance company for 3– 5 years, (35.3 %) were working over five years, (26.5 %) were working for 1-3 years and (2.9 %) under one year. From this it is possible to say that the respondents were well aware about their organization Total Management practice because 97 % of respondents have working experience on insurance company.

#### **4.4. Descriptive Analysis**

Respondents' perception towards the Effect of Total quality management practice on organizational performance

The perception of respondents on the TQM practices described in view of customer focus, top management commitment, employee empowerment, continuous improvement and internal work process approach. According to Kumer (2014), the mean score below 3.39 is considered as low; the mean score from 3.40 up to 3.79 is considered as moderate and the mean score above 3.8 is considered as high as it shown in the table below.

### 4.2.1. Descriptive Statics

The respondents were asked about the effect of TQM practice on organizational performance in the case of Buna insurance share company. As described in the below table 4.3. Indicated that all five independent and dependent variables the mean and standard deviation result. These five variables indicate the effect of Total Quality Management practice on organizational performance.

**Table 4.7: Mean and Standard Deviation Descriptive statistics result**

Descriptive Statistics			
	Mean	Std. Deviation	N
CF	3.3578	0.56356	102
TMC	3.5327	0.59102	102
EE	3.4608	0.62413	102
CI	3.5549	0.60332	102
WPA	3.4673	0.62671	102
OP	3.5240	0.53968	102

**Source: Own survey result, 2021**

As presented in Table 4.3 it is understood that the mean values of all variable were between 3.4663 and 3.5549. The average mean value of the all variables is 3.5 and this showed that there is a moderate or average mean.

The above result implies that half and above respondent agreed TQM effect /element positively affected the company through focus on five dimensions which customer focus, top management commitment, employee empowerment, continuous improvement and work process approach. As stated in the literature review section selecting related to their effects of total quality management on Organizational performance are keys to success.

### 4.3 Correlation Analysis

Correlation test is show the strength of the association or the relationship between the variables involved. Inter- correlations coefficients (r) were calculated by means of Pearson’s product moment and Pearson’s correlation was used to investigate the interrelations amongst the variables.

According to Cohen (1988), r 0.10 to 0.29 may indicted as low degree of correlation, r 0.30 to 0.49 may be indicting a moderate degree of and r result from 0.50 to 1.00 assigned as a high degree of correlation.

**Table 4.8: Correlations among variables**

		Correlations					
		CF	TMC	EE	CI	WPA	OP
CF	Pearson Correlation	1	.318**	.295**	.264*	.706**	.435**
	Sig. (2-tailed)		0.001	0.003	0.031	0.000	0.000
	N	102	102	102	102	102	102
TMC	Pearson Correlation	.318**	1	.475**	.401**	.390**	.574**
	Sig. (2-tailed)	0.001		0.000	0.000	0.000	0.000
	N	102	102	102	102	102	102
EE	Pearson Correlation	.295**	.475**	1	.562**	.402**	.775**
	Sig. (2-tailed)	0.003	0.000		0.000	0.000	0.000
	N	102	102	102	102	102	102
CI	Pearson Correlation	.214*	.401**	.562**	1	.459**	.685**
	Sig. (2-tailed)	0.031	0.000	0.000		0.000	0.000
	N	102	102	102	102	102	102

WPA	Pearson Correlation	.706**	.390**	.402**	.459**	1	.579**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		0.000
	N	102	102	102	102	102	102
OP	Pearson Correlation	.435**	.574**	.775**	.685**	.579**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	
	N	102	102	102	102	102	102

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

**Source: Own survey result, 2021**

As per pervious study and literature and TQM framework developed in this study proposes that the effect of TQM practice organizational performance. TQM practice is expected to have increase the organization Performance (Shin et al., 2000), and improve over all organizational performance (Person 1999). Positive correlation between top management commitment, organizational performance and employee empowerment, continuous improvement and enables employees to understand and contribute to organizational performance, and giving competitive advantage (Ugboro, I. O., & Obeng, K. (2000).

As per the above table 4.8 correlations among variables indicates that all correlation results are positive. This implies that among variables they have positive relationship. As per the above table correlation result the relation between and among variables is positive this implies that strong relationship between or among variables.

**4.5. Regression Analysis**

Linear regression was conducted to identify cause and effect between independent and dependent variables. And also Regression analysis was used in order to estimate or predict the effect of independent variable on dependent variable. The significance level of 0.05 with 95% confidence interval was used.

The dependent variable was Organizational performance and the independent variables include customer focus, top management commitment, employee empowerment, continuous improvement and work process approach. The reason for using regression analysis was to analyze the direct effect of total quality management practice on organizational performance.

#### 4.5.1 Common Assumption Test:

The following are common assumption tests of linear regression done on this study.

#### 4.5.1 Multi Collinearity Assumption Test

According to [Cochran,1977] stated that presence of multicollinearity can be detected by just looking at variance inflation factor [VIF] value of each explanatory variable. That is, if VIF is more than 10, then, it signifies that there is interdependence among independent variable but all variables less than 10 it have no interdependence among variables. Or in other round Multi Collinearity occurs when independent variables in the regression model are more highly correlated with each other than with the dependent variable. Tolerance value and variation inflation factor [VIF] for each independent variables determines Multi Collinearity.

Multi Collinearity is problem and exists when tolerance is below 0.10 and average VIF is larger than 10. The multi collinearity test conducted showed that multi collinearity was not problem because tolerance value was not below 0.10 for each independent variable and variation inflation factor for each independent variable was not great than 10.

**Table 4.9: Multi Collinearly assumption test**

Model	Coefficients	Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Customer focus	0.491	2.037
	Top management commitment	0.713	1.403
	Employee Empowerment	0.599	1.680
	Continues improvement	0.601	1.664
	Work process approach	0.413	2.422
a. Dependent Variable: OP			

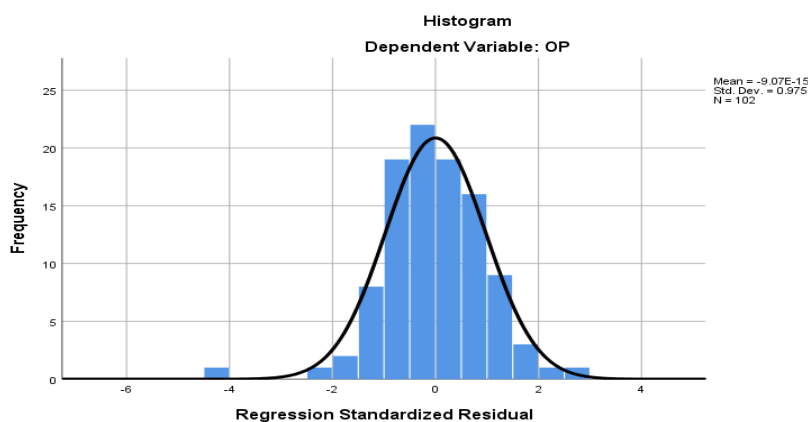
**Source: Own survey result, 2021**

The above table 4.9 indicates that the VIF values for customer focus, top management commitment, employee empowerment, continuous improvement and work process approach are below 10, tolerance result above 0.10 and this was implying that there is no interdependence among independent variables. Hence, the Multi collinearity assumption is fulfilled in the study.

#### **4.5.2 Normality Test for Residuals**

This study is a test for normality assumption and is offered graphically as follows

**Figure 2: Normality Test for Residuals**



**Source: Own survey result, 2021**

If the residuals are normally distributed, the histogram should be bell-shaped Bryman, (1988). Therefore, from the above figure, the histogram is bell-shaped; this implies that the residuals are normally distributed. Once the Normality assumption is fulfilled.

#### **4.5.3 Autocorrelation Assumption Test**

The Dubin-Watsun statistic is a number that test for autocorrelation in the residuals from a statistical regression analysis. The Durban-Watson statistics always between 0 and 4. The value 2

means that there is no autocorrelation in the sample of the study. Values approaching 0 indicate positive auto correlation and values toward 4 indicates negative autocorrelation [Bryman, 1988].

**Table 4.10: Durban-Watson [Auto correlation assumption Test result]**

Model	Durbin-Watson
1	<b>1.830</b>
<b>a. Predictors: (Constant), WPA, EE, CI, CF, TMC</b>	
<b>b. Dependent Variable: OP</b>	

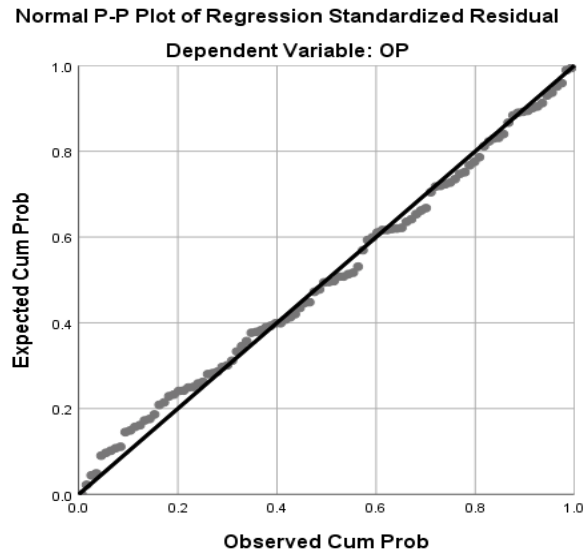
**Source: Own survey result, 2021**

From the above table 4.6 indicates that the value Durbin-Watson Statistic result **1.830**. Thus, this study has tested for assumption of autocorrelation and there is no autocorrelation from the above result. Hence, the autocorrelation assumption is fulfilled.

#### **4.5.4 Linearity Test**

Linearity refers to the degree to which the change in the dependent variables is related to the change in the independent variables. The best test for normally distribute error is Normal probability plot of the residuals. If the distribution is normal, the points on such a plot should fall close to the diagonal reference line or best fit line, Hansen, B. (1999). Therefore, the below p-p plot approximately fall close to the diagonal reference line. Thus it fulfills the linearity assumption of linear regression.

**Figure 3: Normal p-p plot of regression**



**Source: Own survey result, 2021**

**4.2.1.1.ANOVA Model fit**

**Table 4.11: Model Fit**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.283	5	4.457	59.973	.000 <sup>b</sup>
	Residual	7.134	96	0.074		
	Total	29.417	101			
a. Dependent Variable: OP						
b. Predictors: (Constant), WPA, TMC, CI, CF, EE						

**Source: Own survey result, 2021**

In linear regression analysis it is assumed that and review there is a leaner relation between the predictors and the dependent variable. This study measured the linearity by testing the goodness of fit of the model by Conducting ANOVA test.

The test hypotheses are:

HO: The model is not a good fit

H1: The model is a good fit

$\alpha = 0.05$

From the table 4.11 is ANOVA test, it is noticed that F value of 59.973 is significant at the 0.000 level. Therefore, from the result, the researcher concluded the model is a good fit. Since, the P-value [SIG] 0.000 is less than  $\alpha = 0.05$  this result indicates a linear between the dependent variables and the independent Variables. Therefore, as per the above table ANOVA result the model is appropriate.

#### 4.6 Regression Result and Discussion

Regression analysis applied to examine and investigate the effect of total quality management practice on organizational performance in the case of Buna insurance share company. The coefficient of determination  $R^2$  is the measure of proportion of the variance of dependent variables, and the mean that is explained by independent or predictor variables [Saccani, 2007].

Table 4.12: Model Summary [independent variables as predictors to Organizational performance]

##### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.870 <sup>a</sup>	0.757	0.745	0.27260
a. Predictors: (Constant), Work process approach, Employee empowerment, Continuous improvement, Customer focus, Top management commitment				
b. Dependent Variable: Organizational performance				

Source: Own survey result, 2021

Table 4.12 presents the model summary which states that **Organizational performance** as a function of customer focus, top management commitment, employee empowerment, continuous improvement and work process approach. The findings regarding with the causal relationship between the total quality management practices and organizational performance revealed in the ANOVA test table demonstrates and confirmed that the model has acceptability from the statistical perspective as its p-value is 0.000 less than 0.05(5%) i.e. it is statistically significant at

0.05(5%) significance level or 95% confidence level. The results of the above model summary prove that the value of R is 0.870<sup>a</sup> which states the strong effect between total quality management practices and organizational performance as well as the value of R square is also 0.757 (75.7%) which verifies that 75.7% of the changes/variations in the organizational performance are explained by the total quality management practices i.e. the essentials of the total quality management practices plays a key role with the probability or possibility of 75.7% of changing the organizational performance of the company. However, 24.3 % of the variations in the organizational performance are explained by the factors other than the constructs of the total quality management practices.

Table 4.13: Coefficients

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.077	0.221		.348	0.728		
	CF	0.057	0.069	0.060	.830	0.409	0.596	1.679
	TMC	0.149	0.054	0.163	2.732	0.007	0.710	1.408
	EE	0.401	0.056	0.464	7.141	0.000	0.595	1.680
	CI	0.240	0.058	0.268	4.138	0.000	0.596	1.679
	WPA	0.141	0.067	0.164	2.100	0.038	0.496	2.017

a. Dependent Variable: OP

**Source: Own survey result, 2021**

Regression equation is stated as:

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \dots + \beta_k X + e_i$$

Where:

- $\beta_0$  = point of intercept
- Y = Organizational performance of Buna insurance share company
- $X_k$  = the effect of Total quality management practice

- $\beta_k$ =slop of the line
- $e_i$ = error term

As per the above table 4.13 the explained regression equation is stated as:

- $OP = 0.077 + 0.057*CF + 0.149*TMC + 0.401*EE + 0.240*CI + 0.141*WPA$
- Where CF= customer focus, TMC= top management commitment, EE= employee empowerment, CI = Continues improvement and WPA= work process approach.

Based on linear regression analysis, the table above reveals the Effect of Total quality management practice each element, i.e. the Effect of customer focus, top management commitment employee empowerment, Continues improvement and work process approach of on Organizational performance in the case of Buna insurance share company are 0.057, 0.149, 0.401, 0.240 and 0.141, respectively. By examining this  $\beta$  weight of data analysis result and level of significant, the finding shows that the Effect of top management commitment, employee empowerment, Continues improvement and work process approach have greater effect on Organizational performance of Buna insurance share company on the other hand customer focus not that much effect on Organizational performance or Vic versa . And this implies that the predicted change in the dependent variable for every unit increase in that particular predictor.

This signifies a one percent increase in the value of top management commitment; the organizational performance of Buna insurance share company will increase by 14.9 percent provided that other variables remain constant the same is true for other variables for employee empowerment, Continues improvement and work process approach of Buna insurance share company. Therefore we can conclude that top management commitment, employee empowerment, Continues improvement and work process approach have statistically significant effect of TQM practice on organizational performance of Buna insurance share company. On the other hand, the  $\beta$  value of customer focus, employee empowerment, Continues improvement and work process approach is 0.057, 0.401, 0.240 and 0.141 respectively and the significance level is less than 0.05. Therefore we can conclude that these independent variables have a significant effect on organizational performance exceptional customer focus. Generally, the main purpose of this study is to analysis the Effect of total quality management practice on organizational performance. From the above data

analysis, employee empowerment, Continuous improvement, top management commitment and work process approach has effect on organizational performance @ 5 % level of significance.

#### **4.7 Hypothesis Testing**

The purpose of the hypothesis was to analyze whether there were independent variables [customer focus, employee empowerment, Continuous improvement, top management commitment and work process approach] has a significant effect on dependent variables [Organizational performance]. And one of the most commonly used methods in statically decision making is hypothesis testing.

The hypotheses test includes two hypotheses: the null hypothesis [denoted by  $H_0$ ] and the alternative hypothesis [donated by  $H_a$ ]. The null hypothesis is the initial claim and is often specified using previous research or common knowledge. The alternative hypothesis is sometimes referred to as the research Hypothesis.

The decision making process for Hypothesis test can be based on the probability value [p-value] for the given test that is:

- If the p-value is less than or equal to a predetermined 0.05 level of significance, then we reject the null hypothesis and claim support for the alternative hypothesis
- If the P- value is greater than 0.05 level of significance value, we fail to reject the null hypothesis and cannot claim support for the alternative hypothesis.

Bases on this the researcher developed four hypotheses to check the effect Total quality management practice on organizational performance.

At the 5% significance level, determine if the model is useful for predicting the response bases on this Hypothesis analysis implemented:

$H_0$ : independent variables do not have a significant Effect on organizational performance.

$H_a$ : independent variables have a significant Effect on organizational performance.

The Significance Level  $\alpha = 0.05$  and Reject the null hypothesis if  $p\text{-value} \leq 0.05$ .

The ANOVA table 4.11 shows that (Test Statistic and p-value),  $F = 59.973$ ,  $p\text{-value} < 0.05$  since  $p\text{-value} \leq 0.05$ , we rejected the null hypothesis.

At the  $\alpha = 0.05$  level of significance, evidence to conclude that all independent variables are useful for predicting Organizational Performance ; therefore the model us useful and accepted the alternative hypothesis; as per table 4.9 Beta result all variables are positive Beta value this show that independent variables Significance level less than 0.05 this implies that all independent variables have a significant effect on organizational performance and there is evidence to reject the null hypothesis and do not reject the alternative hypothesis .

#### 4.7.1 Summary of Hypotheses Result

**Table 4.14: Summary of Hypotheses Testing**

Type	Hypothesis	Result	Reason
H <sub>a1</sub>	Customer focus has significant effect on organizational performance in Buna insurance S. Company	Reject	$\beta=0.057, P>0.05$
H <sub>a2</sub>	Employee empowerment has significant effect on organizational performance in Buna insurance S. Company	Accepted	$\beta=0.401, P<0.05$
H <sub>a3</sub>	Top management commitment has significant effect on organizational performance in Buna insurance S. Company	Accepted	$\beta=0.149, P<0.05$
H <sub>a4</sub>	Continuous improvement has significant effect on organizational performance in Buna insurance S. Company	Accepted	$\beta=0.240, P<0.05$
H <sub>a5</sub>	Work process approach has significant effect on organizational performance in Buna insurance S. Company	Accepted	$\beta=0.141, P<0.05$

**Source: Own survey result, 2021**

## CHAPTER FIVE

### MAJOR FINDING, CONCLUSION AND RECOMMENDATION

#### 5.1 Major Finding

The researcher was carried out in order to find out the Effect of Total quality management practice on organizational performance in the case of Buna insurance share company.

Explanatory research design was employed and data were collected from 102 Buna insurance share company employees'. In line with the objectives the following are the major finding of the study:102 Buna insurance share company employees were participated on the study where 58.8 % of the respondents were female and the rest were 41.7 % male respondents and the majority of the respondents these means 66.7 % were Degree and Diploma holders apart from these the very majority of the respondents year worked were Buna insurance share company 3 years and above and at the end the other hand the majority of respondents working as on or above officer level in general this showed that represent how much of the respondent are align with total quality management and positions ,educational level and years worked are matter to determine the Effect of Total quality management practice on organizational performance in the case of Buna insurance share company. In this study the effects of total quality management practice on organizational performance of insurance: the case of Buna insurance S.C were examined; total quality management practices were selected from reviewed researches and its effect on organizational performance quantitavely. Based on the results of the analysis the following summaries of findings were drawn.

From finding of quantitative or Correlation result showed as among or between dependent [organizational performance] and independent variables [Customer focus, Top management commitment, Employee empowerment, continuous improvement and work process approach] have positive effect.

From the finding the detail results on correlation results are here under:

The correlation between customer focus and organizational performance is positive and significantly correlated at  $[r=.435]$ ,  $[P<0.01]$ , this shows that the relationship between the two variables

is good. The correlation between Employee empowerment and organizational performance is positive and significantly correlated at  $[r=.775]$ ,  $[P<0.01]$ , this shows that the relationship between the two variables is strong. The correlation between continuous improvement and organizational performance is positive and significantly correlated at  $[r=.685]$ ,  $[P<0.01]$ , this shows that the relationship between the two variables is good. The correlation between work process approach and organizational performance is positive and significantly correlated at  $[r=.579]$ ,  $[P<0.01]$ , this shows that the relationship between the two variables is good. The correlation between top management commitment and organizational performance is Positive and significantly correlated at  $[r= .574]$ ,  $[P<0.01]$ , this shows that the relationship between the two variables is positively related (See table 4.8)

Finding from regression analysis result:

The independent variables selected for the model, [Customer focus, Employee empowerment, continuous improvement, top management commitment and work process approach], and 75.7 % of independent variable effect on organizational performance. But the rest variations 24.3 % are from extraneous variables. This result implies TQM practice Efficiency or element factors accounted 87 % of the variance in organizational performance. The remaining variation (13%) in organizational performance could be attributed to other variables which are not included in this study. (See table 4.12) The finding from regression analysis showed that there are other factors or variables that have not including in the research which affected positively on the organization performance in the case of Buna insurance share company. This result supported by  $R^2$ , because the  $R^2$  result is 0.757 and this implies that TQM has an effect of organizational performance by 75.7% and the other 24.3 % extraneous or unknown variables affected the performance of Buna insurance S.C.

In general, the cause and effect of four variables on organizational performance in the case of Buna insurance share company is analyzed with help of SPSS version 25.

The finding of (as per table 4.14) hypothesis 1 shows that the path between customer focus and organizational performance is statistically insignificant @ 5% level of significance, that is, ( $\beta= 0.057$ ,  $p= 0.409$ ). In other word, customer focus has not effect on organizational performance or

defined by the other independent variables. The finding of hypothesis 2 shows that the path between top management commitment and organizational performance is statistically significant @ 5% level of significance, that is, ( $\beta = 0.149$ ,  $p = 0.007$ ). In other word, top management commitment has positive effect on organizational performance. Hence, the hypothesis is supported. The finding hypothesis 3, the result shows that the path between employee empowerment and organizational performance is statistically significant @ 95% confidence level, that is, ( $\beta = 0.401$ ,  $p = 0.00$ ). Simply put, employee's empowerment has strong positive effect on organizational performance. Hence, the hypothesis is supported. The finding of hypothesis 4 shows that the path between continuous improvement and organizational performance is statistically significant @ 5% level of significance, that is, ( $\beta = 0.240$ ,  $p = 0.00$ ). In other word, continuous improvement has a significant positive effect on organizational performance. Hence, the hypothesis is supported. The finding of hypothesis 5 shows that the path between work process approach and organizational performance have statistically significant @ 5% level of significance, that is, ( $\beta = 0.141$ ,  $p = 0.038$ ). In other word, internal work process Approach has a significant positive effect on organizational performance. Hence, the hypothesis is supported.

In General, on the above Hypothesis finding the four variables result ( top management commitment, employee empowerment, continuous improvement and work process approach ) shows that having positive effect in organizational performance that have statistically significant effect @ 5% level of significance, whereas the remaining one variable (customer focus ) insignificant effect on organizational performance.

## **5.2 Conclusion of the Study**

The main purpose of this study is to analyze the effect of total quality management practice on organizational performance in the case of Buna insurance share company based on primary data and the research objectives, analysis of the data and finding of the study the following conclusion are drawn:

- From the demographic data of the respondents one can concluded that as statistics indicates that the majority of the respondent are above diploma and have position on or above officer position level this help the company to easily practices total quality management

element to boost competitive position of the insurance company on local and global insurance market.

- The correlation analysis showed that the significant and positive relationship among and between independent variables and organizational performance. Therefore, improvement and interrelation in all independent variables can increase the effect of total quality management practice on organizational performance. Effectiveness and to overcome and keep the company unique competency.
- The regression and hypothesis result showed as the five variables TQM practice on organizational performance have positive and significant effect on organizational performance of Buna insurance share company.
- The researcher believes that the study could contribute a lot for the effect of total quality management practice on organizational performance. So, the main recommendations derived from this study could be: Based on the research findings, concluded that, there is an effect of total quality management practice on organizational performance in the case of Buna insurance share company as measured by the four dimensions (EE, TMC, CI & WPA ) have positive effect on organizational performance whereas the other one independent variable(CF) doesn't has that much effect on organizational performance , the researcher would believe that customer focus insignificant variable or it incorporated into the other independent variables

Generally, as this study finding and result concluded that total quality management practice has a positive effect on organizational performance, this revealed that more to do on independent variables will help Buna insurance share company to have competitive advantage on insurance company. Over all based on the analysis we can conclude that the effect of total quality management practice have statistically significant effect on organizational performance of Buna insurance share company.

### **5.3 Recommendations**

- ❖ The study makes a recommendation that, companies commit to empower employees for the organizational development should focus on employee empowerment in order to boost organizational performance

- ❖ Buna insurance share company embrace a future oriented approach adoption of continuous improvement of strategic approaches through the investments on continuous improvement. The investments on continuous improvement should be geared towards improving the overall performance of the organization. On the other way that the top management commitment of insurance companies enhance and develop organization and structured management practices which illustrates a clear delimitation in organizational performance and for work process approach of the organization should have given great emphasis to satisfy customers and fast service delivery. This should be implemented through adoption of a clear execution framework for insurance company managers and integration of goal-oriented mechanisms to enhancing organizational performance.

#### **5.4 Direction for future research**

This study has some limitations that should be addressed in the future researches due to time and resource constraints. Various secondary data sources were not used to validate in the responses. It only depends on the perception of the selected respondents 102; generalization of these results is so limited. I recommend future researches which can assess the effects TQM practice on organizational performance of insurance company.

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## **Annex: Questionnaires**

**Addis Ababa University**

**College of Business and Economics**

**Department of management**

# **Survey Questionnaire for the purpose of Master's Thesis on Effect of Total Quality Management at Buna Insurance Share Company.**

## **Consent Statement**

Dear Participant, this questionnaire is designed to conduct research on the topic of effect of total quality management. The purpose of the study is for the partial fulfillment of the requirements of M.Sc. Degree in Management at Addis Ababa University, College of Business and Economics. For the successful accomplishment of the research, the genuine response of the employees of Buna insurance Share Company will have an important role and the responses will be used as a valuable and primary input for the study. For this reason, you are kindly requested to take few minutes of your busy schedule and genuinely fill this questionnaire. The aim of this study is to describe the Effect of Total Quality Management on your organization. Please be assured that information provided in this questionnaire is purely for academic purpose and therefore would be treated with utmost CONFIDENTIALITY.

## **Demographic and Related variables**

**I.**

1. Sex    Female     Male

2. Age 18-29     30-40     40-50     Above 50

3. Highest level of education attained

Diploma/ Certificate  BA/BSc  MA/MSc  PHD  other please specify -----

4. Your current occupational position/working in the organization

Manager  underwriter /Officers  Supervisor/Senior officer  other

5. Monthly salary Less than 3,000  3,001-5,000  5,001-10,000  above 10,000

6. Years of service in this company Less than 1 year  1-3 years  3-5 years

Above 5 years

## II. Total quality management related variables

Please indicate the extent to which you agree with the following statements related to TQM practices. Using a scale of 1-5, Where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree

A	CODE	Items 1	1	2	3	4	5
1	CF	<b>Customer focus</b>					
1.1	CF1	The organization provides service as promised.					
1.2	CF2	Employees are trained on customer focus practices.					
1.3	CF3	Staff of the organization gives quick respond to customer complaints.					
1.4	CF4	Staffs of the organization have effective use of customer feedback.					
1.5	CF5	When the customer succeeds the organizational succeeds.					
1.6	CF6	The organization always meets customers 'needs and expectation.					
2	TMC	<b>Top management commitment</b>					
2.1	TMC1	Support of quality policies by Senior level management					
2.2	TMC2	Selection, promotion and appointment of staff by Senior level management to positions is by merit					
2.3	TMC3	Top management communicates its commitment to quality to its employees					
2.4	TMC4	Top management ensures established organizational goals are communicated and clarified to employees					
2.5	TMC5	Top management participates in continuous training the quality management system					
2.6	TMC6	Top management discusses quality issues in the meetings of its members					
3	EE	<b>Employee empowerment</b>					
3.1	EE1	Staff of organization receives continuous training to provide good product.					
3.2	EE2	Employees are provided with enough training to adequately address their tasks					

3.3	EE3	Staff of organization receives training on how to serve customer better					
3.4	EE4	Specific work-skills training (technical and vocational) given to all employees throughout the organization.					
3.5	EE5	Employee training needs are assessed, planned, prioritized and conducted on a regular basis.					
3.6	EE6	Employees are encouraged to be innovative and implement their valuable idea in a way to attain institutional objectives					
4	CI	<b>Continuous improvement</b>					
4.1	CI1	Continuous quality improvement is an important goal of this organization.					
4.2	CI2	The organization review quality issue in top management meeting.					
4.3	CI3	Continuous improvement of quality is stressed in all work process through our organization.					
4.4	CI4	Feedback provided to employees on their quality performance.					
4.5	CI5	The company encourages creativity and all new ideas and solutions offered by employees.					
4.6	CI6	The management aimed to minimize the cost of different financial processes.					
5	WPA	<b>Work process approach</b>					
5.1	WPA1	The company defines success on the basis of the development of human resource, teamwork, employee commitment and concern for people.					
5.2	WPA2	The company long term emphasizes is on growth and acquiring new resource.					
5.3	WPA3	The management style in the organization encourages individual initiatives and freedom.					
5.4	WPA4	The company emphasizes permanence and stability. Efficiency, control, and smooth operation are important.					
5.5	WPA5	The company is very controlled and structured place. Formal procedures generally govern what people do					
5.6	WPA6	The company emphasizes human development; high trust, openness, and participation persist.					

<b>B</b>		<b>Items 2</b>					
1	OP	<b>Organizational performance</b>					
1.1	OP1	The Company has increased return on investment					
1.2	OP2	Service quality has effect on profit maximization					
1.3	OP3	The company has increased the number of customers					
1.4	OP4	The company has upgraded or introduce new services					
1.5	OP5	The company has increased the number of branches					
1.6	OP6	The company provide fast service delivery performance					
1.7	OP7	The company reduced operation cost and operation lead time					
1.8	OP8	The company provide high performance service delivery					
1.9	OP9	The company Offer consistence and reliable service quality					

- How do you explain the effect of TQM practice on organizational performance (profitability, market share, company growth and customer satisfaction)?-----  
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- If you have any comment about EFFECT OF TQM on organization please give the below space -----  
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