

The Relationship between TQM Practices and Organizational Performance in the Insurance Industry of Guilan Province

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ABSTRACT

There is a controversy concerning relationship between Total Quality Management (TQM) practices and Organizational Performance. Organizational Performance clearly depends on numerous factors and in this study we are investigating relationship between TQM practices and Organizational Performance. Sample included 23 insurance companies. It is argued here that previous studies have emphasized the positive and negative relationship between TQM practices and Organizational Performance. In this study we have got mixed result, the relationship between TQM practices and Organizational Performance is positive but one principle (consultation) have negative relationship.

KEY WORDS: TQM; Organization; Performance; Insurance.

1. INTRODUCTIN

In management litreture, efficiency and effectiveness have traditionally been seen main concerns (Clegg, Courpasson, & Phillips, 2006; Hinings & Greenwood, 2002). Total quality management (TQM) has potential to improve efficiency (Cole, 1999). The constantly changing business environment requires firms to strive for competitive advantages (Barney, 1995). number of organizations have implemented TQM in order to generate a competitive advantage (Chan & Quazi, 2002). Global competition needs continuous improvement in organizational quality performance (Sitalakshmi, 2007). However TQM has implication on performance (Martinze Costa, Martinze Lorente, Thomas, Y Choi, 2008). Most of the studies regarding to TQM, s effect on performance and/or customer satisfaction (Choi and Eboch, 1998; Terziovski and Samson, 1999, 2000; Hendricks and Singhal, 1996, 2001; Martinze Costa, Martinze Lorente, Thomas, Y Choi, 2008; Prajogo, Hong, 2008; Martinez-Costa, Thomas Y Choi, A Martinez, Angel R Martinez-lorente, 2009; Ismail Sila, 2007). It is evident from empirical studies that majority of the organizations that implement TQM have viewed the benefits of TQM in various ways (Easton and Jarell, 1998; Hendricks and Singhal, 1996). According to a study conducted by Mohrman et al. (1995), 83% of the surveyed companies had a "positive or very positive" experience with TQM. The aim of this study is to test relationship between TQM practices and Organizational performance in insurance companies of Guilan province.

2. Literature review and hypotheses formulation

2.1 Total Quality Management

The TQM philosophy is built on the belief that firms should encourage all of their employees to continuously search for new ideas and improvements. TQM is an approach to management that is characterized by the principles of customer focus, continuous improvement, and teamwork (Ugboro and Obeng, 2000; Wadsworth et al., 2002; Chan and Quazi, 2002; Hellsten and Klefsjo, 2002; Scharitzer and Korunka, 2000; Young et al., 2001). A number of research studies have been carried out to examine the implementation process of TQM and investigate the critical success factors for implementing TQM. A common conclusion of these studies is that the way TQM is implemented is central to its long-term success within an organization (Ghobadian and Galler, 2001). It must be a totally integrated, continuous, professional system based on the commitment of employees and top management, working together with customers so that the needs of all are met (Tan, 1997). according to the literatures TQM program fails because of following items (Seetharaman, Sreenivasan, & Boon, 2006):

- *lack of the management commitment and management understanding on "Quality"

- *lack of awareness on the benefits of TQM implementation in the organization.

- *Inadequate knowledge of TQM and improper understanding of measurement techniques that are used to measure the effectiveness of TQM implementation.

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- *lack of clarity in the guideline, implantation plan and implementation methods.
- *lack of understanding about the positive results of the continuous improvement.
- *Ignoring the importance of customers.

People management practices and the organizational structure are common indicators of the way an organization practices the *TQM* principles. In fact ,customers focus ,people involvement and continuous improvement call for decentralisation of decisions, worker's autonomy and polyvalence, teamwork and the reduction of organizational hierarchical layers, among others. As depicted in Fig 1, autonomy, communication ,consultation, flexibility and supportive people management practices were selected as the main dimensions to represent the *TQM* enablers of organization performance. Each of the corresponding tentative constructs was translated into a set of measurement items (fig 1).

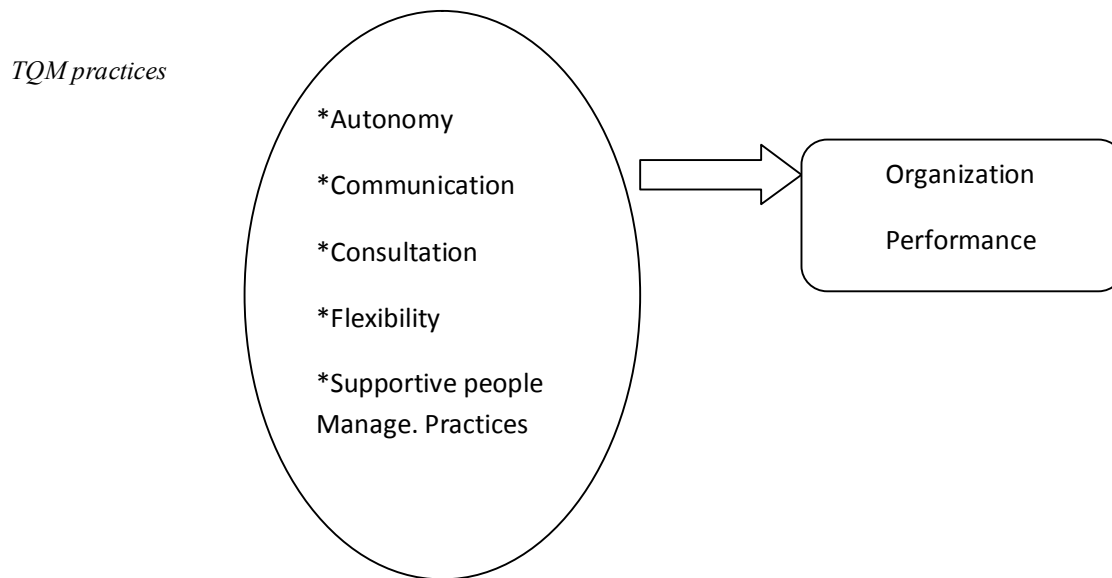


Fig.1. Relationships between *TQM practices* and *Organization Performance*

Such as *autonomy* : relates to the degree to which employees have some direction and control over job-related decisions, which measured by autonomy to take immediate corrective actions one problems arise, support from the supervisors to the decisions made the quality of the work(Damanpour,1991; Thompson , 1965;Daft ,1978;Daft, 1982; Subramanianana Niakanta ,1996 ;Nahm et al,2003).

Internal communication : reflects the extent of communication among organizational units or groups. Which measured by degree of vertical (hierarchical) communication, degree of intradepartmental communication(among co-workers that belong to the same area), degree of transversal(interdepartmental) communication, Accessibility of upper manager to the shopfloor workers. .(Damanpour,1991; Nahm et al,2003).

Consultation : reflects the degree to which the organization listen to its employees, which measured by employers feedback collection through the use of questionnaires , existence of a system to collect employees suggestions, disclosure of the result of the questionnaires, workers involvement in strategic decision making(Roebuck,1996;EPOC,1997).

Qualitative Flexibility : reflects the firm s ability deploy the skills of its employees to match the tasks required by its changing workload production methods and/or technology. which measured by use of job rotation schemes, development of competencies for workers to perform a wide variety of tasks, implementation of the cell manufacture concept,development of the workers abilities to perform in cells ,specific vocational training,Selection of workers based on generic abilities (internal education and training gives them the competencies to perform specific tasks(Subramanian and Nilalanta ,1996;Damanpour,1991;Saleh and Wang 1993).

Supportive people management practices : reflects the relates to people management practices that are supportive of the introduction of *TQM* principles which measured by continuouse education and training ,performance appraisal schems(Flynn et al ,1994;Black and Porter ,1996;Sila,2007;CEC,1998,2002;Saleh and Wang,1993).

3.Organization performance

Organizational performance has considerable effect on organization's activities (Azar and Daneshvar, 1386). English Oxford Dictionary defines performance as work, utilize, and accomplish every regular or responsible thing.

This definition is in the relation to outcome and income data which considers as explanatory correlate performance of doing work and its results. Therefore, it is considered as a behavior and method that organizations, teams and people use it for performing some tasks. This concept is important because we can manage and evaluate it by this definition. There are different viewpoints about “what is performance?” It is possible to consider performance only as a results of works. Personally, performance is the successful background of a person. Bernadin and his colleagues believe that performance should be defined as a result of work, because these results are in relation with the most powerful effect with strategic goals of organization, customer satisfaction and economical roles (seyed Javadin, 2007).

Describing the concept of performance is important. Managing and evaluating performance is impossible without having clear definition. Bates and Holton (1995) remark that performance is a multi dimension structure that its variants depend on variety of factors. There are different viewpoints about nature of performance. It can be easily consider as recording results. In personal status, performance is recording of personal works. Kane (1996) argue that performance is kind of process which person doesn't pay attention to it and is separate from goal. Bernardin(1995) believe that performance should be defined as result of work, because these results are in relation with the most powerful effect with strategic goals of organization, customer satisfaction and economical roles. Campbell (1990) also believes that there is behavior in performance and should be differing from result because some system factors might eliminate the results. Comprehensive viewpoint in relation with performance can be gained when it includes its behavior and result. This hypothesis was planned by Brumbarch: performance means results and behaviors, behaviors originate from factor and alter the performance from thought to function. Behaviors not only aren't instruments for achieving to results, but also are effects that are product of mental and physical activity using in doing duties and can be considered as a separable one from result. This definition of performance leads to this deduction that both data (behavior) and outcome (result) should be considered. In this study, organizational performance is proportion that leads organizations to their work and economical goals (Lee and Chio, 2003). Sentiment of Organizational performance is way that organization would do the works and duties in idealistic form.(Stoner, 2007).

4.Hypothesis

- There is positive correlation between autonomy and organization performance.
- There is positive correlation between internal communication and organization performance.
- There is positive correlation between consultation and organization performance.
- There is positive correlation between qualitative flexibility and organization performance.
- There is positive correlation between supportive people management practices and organization performance.

5.Research Methodology

Present study is descriptive and correlative type and investigates relations between TQM practices and organizational performance in Guilan insurance industry. Field studying is used for investigating the relations between variants of research. population of research includes total offices and supervision of insurance company of Guilan that have 50 branches. Sample size was 23companies.

6.Measures

In this research a questionnaire was used for gathering data. cronbach Alpha coefficient was used for investigating and estimating of questionnaire in relation to each variable.

Table6-1)indicates measure of interior(inner) perpetuity. Justifiability of concept was used for determining justifiability of questionnaire.

Construct	cronbach Alpha	Construct	cronbach Alpha
Autonomy	0/73	Flexibility	0/64
Communication	0/69	Supportive manage	0/76
Consultation	0/72	Organizationperformance	0/75

In this research for measuring TQM different aspects were used; *autonomy, Internal communication Consultation, Qualitative Flexibility and Supportive people management practices* . (Abrunhosa, 2008). The questionnaire of TQM includes 20 questions that were based on five degree measure of likert.

In this research performance means the degree which organizations achieve their goals (Lee and Choi, 2003). The measuring tool for performance made by Heso(2008) based on Khandola model (1997). Organizational performance was evaluated by index like benefit, quality service, job satisfaction and employee productivity based

on five degree standard of likert. The questionnaires were distributed among managers of Guilan insurance company.

7.Descriptive result and investigation of hypothesis testing

7-1) Amplitude of each variable can be shown according to the following table.

	Valid	Minimum	Maximum	Mean	Std.Deviation	Variance	
Autonomy	23	14	19	15/87	1/25	1/57	
Internal communication	23	8	18	15	2/32	5/36	
10	17	12/35	1/99	3/96			
Qualitative Flexibility	23	17	26	21/35	3/17	10/06	
Supportive people manage practices	23	6	10	8/22	1/24	1/54	
Organization performance	23	29	46	40/57	5/24	27/44	

According to above table we can observe that Autonomy variant have minimum of 14, maximum of 19, and average of 15/87, scale deviance of 1/25 and variance of 1/57. According to 4 questions with likert spectrum and score of 1-5, the average was 12 which was more than expected.

According to data of table we observe that Internal communication variable have minimum of 8, maximum of 18, average of 15, scale deviance of 2/32 and variance of 5/36. According to 4 questions with likert spectrum and score of 1-5, the average was 12 which was more than expected.

According to data of table we observe that variable Consultation have minimum of 10, maximum of 17, average of 12/35, scale deviance of 1/99 and variance of 3/96. According to 4 questions with likert spectrum and score of 1-5, the average was 12 which was more than expected.

According to data of table we observe that variable Qualitative flexibility have minimum of 17, maximum of 26, average of 21/35, scale deviance of 3/17 and variance of 10/06. According to 4 questions with likert spectrum and score of 1-5, the average was 12 which was more than expected.

According to data of table we observe that variable Supportive people manage practices have minimum of 6, maximum of 10, average of 8/22, scale deviance of 1/24 and variance of 1/54. According to 4 questions with likert spectrum and score of 1-5, the average was 12 which was more than expected.

According to data of table we observe that variable organizational performance have minimum of 29, maximum of 46, average of 40/57, scale deviance of 5/24 and variance of 27/44. According to 4 questions with likert spectrum and score of 1-5, the average was 12 which was more than expected.

7-2) RESULTS

	Sig	organizational performance	Autonomy	Internal Communication	Consultation	Qualitative flexibility	Supportive people manage practices
organizational performance		1	.396	.389	.092	.508	.440
Autonomy	.045	.396	1	.373	.143	.455	-.260
Internal Communication	.047	.389	.373	1	.440	.457	-.126
Consultation	.377	.092	.143	.440	1	.236	.391
Qualitative flexibility	.032	.508	.455	.457	.236	1	.331
Supportive people manage practices	.041	.440	-.260	-.126		.331	1

According to the table, the results show that there is a positive and significant relationship between autonomy, internal communication, quality flexibility, Supportive people manage practices and organization performance in Guilan insurance industry. These findings are in line with the researches of Powell (1995), Daw et al (1999); however, no relationship was observed between consultation and organization performance.

8.DISCUSSION

In this research we applying and show its positive effect on organizational performance. According to the changes in management knowledge, needs of making evaluation system in different aspect of origination is under attention. Quick growth of technology, variety of services and specially diversity in customers supply in severe competitive environment within resource limitation, have been forced managers to expand their activity from new patterns of managements specifically TQM practices.

According to support of most hypothesis base on positive and meaningful relation in Guilan industry insurance, it is suggested that in order to maintain of organization and progress in performance in competitive atmosphere and complex environment which needs of customer are changing, continues use of principles and management method like expenses reduction, rapid delivering, focusing on needs of customers, carefulness in presenting services have been under attentions. According to positive relation between independence, interior relation, modal flexibility and supportive management method with organizational performance in Guilan industry insurance we offer that managers must have independency, responsibility and organization support and plan for their work. There should be some plans for improving relation in all level of organization and access of lower employee to their bosses. Skills of worker must be improved for doing their responsibilities better; therefore, preparing academic courses is very important for expanding knowledge of workers. Flexibility in providing services is one of important factor that must be considered by managers. to improve organizational performance ,management should give authority to employees and let them to participate in decision making .also vertical and intradepartmental communication must be facilitated. Management should try to develop employees in such a way that they be able to do variety tasks .one of the limitation of this research is sample of study which is not large .so we suggest that future research done on larger sample.

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