

Title: TQM Adoption and Performance: A Survey from Malaysia's Family Owned Enterprise

PhD/DBA Research Proposal

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1.0 INTRODUCTION

1.1 Background of the study

Total quality management, also known as TQM, can be defined as a business management strategy that seeks to improve the quality of organizational management, and hence to improve its overall effectiveness and performance (Ooi et al., 2006). The level of consciousness has established TQM in top TQM and management journals (Taylor and Wright, 2006) as an important area for research in the past two decades. The function of TQM is comprehensively known to be vital in the success and survival of both manufacturing and service sectors (Ooi et al., 2009). Previous empirical studies have proven that the effective adoption of TQM practices can produce enhancements in the area of competitive abilities in the marketplace (Anderson et al., 1994); lower manufacturing cost and improved productivity (Garvin, 1983); provide a competitive advantage for organizations (Prajogo and Sohal, 2004); and lead to improvements in overall organizational performances (see for example: Flynn et. al., 1995; Samsan and Terziovski, 1999; Anderson and Sohal, 1999; Prajogo and Sohal, 2004; Millen, Sohal and Moss, 1999; Terziovski and Samson, 1999; 2000). Moreover, Prajogo and Sohal (2004) stated that TQM has been widely accepted as a management model if the approach is implemented successfully.

1.2 Research Problem

In spite of the fact that the relationship between TQM and organizational performance in both manufacturing and service related organizations (Teh at al., 2009; Flynn et al., 1995; Jitpaiboon and Rao, 2007) has been previously studied around the world, generally there is less agreement as to whether TQM can improve family firms' performance in the developing country such as Malaysia. In Malaysia, there is not sufficient research being carried out in the scenario of family owned business even though it is believed from anecdotal evidence that other than the government linked companies (GLC) and MNC (multi-national company), most of the privately owned or even public listed companies in Malaysia are believed to be family owned. In the scenario in Malaysia, the contribution from family owned business to the economy has not been acknowledged officially either by the government or the family owned business operator themselves. In fact, compare to the non-family owned business enterprise, anecdotal evidence is that family-owned enterprise is not a preferred place to work for or it is not a place to develop one's career. At the same time, there isn't any sufficient research on the level of awareness in terms of quality management amongst these family owned companies in Malaysia, not to mention the practice of TQM amongst them. As the family owned enterprise plays a very key role in our economy both in developed world as well as in developing economies such as Malaysia and therefore correctly managing TQM practices towards achieving family firms' performance is strategically vital for gaining a competitive advantage. Thus, understanding TQM in the family owned enterprise should not be ignored. As to narrow the gap and furnish the business with hands-on experience to handle TQM and its link with the family's business accomplishment, hence this study adopts the ISO 9001:2000 which attests the family's business accomplishment from the quality management perspective. Therefore, this research is different from the current limited work on the link between TQM and business accomplishments in the developed countries from the West

as it concentrates on the study of TQM adoption and performance in the process of developing the country's economy.

1.3 Research Questions

Based on the above research problem, the following five research questions of this study can be articulated as follows:

- RQ1: What are the key practices of TQM should be developed by Malaysia's family owned enterprise with regard to the measurement of organizational performance?
- RQ2: Do the TQM scales used in this study show a degree of validity and reliability for measuring and predicting organizational performance in the Malaysia family owned enterprise?
- RQ3: Do TQM principles have a positive relationship with organizational performance in the Malaysian Owned Enterprise?
- RQ4: Which TQM practices have strongest relationship with organizational performance?
- RQ5: Are there any significance difference between the family owned firms and non-family owned firms with respect to their TQM practices and organizational performance?

1.4 Research Objectives

In accordance to the research questions as above-mentioned, this study hence provides an empirical analysis supporting the five objectives in our study:

- RO1: To ascertain a set of TQM practices that is appropriate for the measurement of Organizational performance;
- RO2: To examine the scales used in this study show a degree of validity and reliability;
- RO3: To examine the relationship between TQM practices and organizational performance within the Malaysian owned Enterprise
- RO4: To ascertain which TQM practices have the most significant relationship with organizational performance Malaysia's firms?
- RO4: To examine the differences between manufacturing and service firms pertaining to the level of TQM principles and KM behavior.
- RQ6: To examine the linkage between the family owned firms and non-family owned firms with respect to their TQM practices and organizational performance?

1.5 Scope of the study

This section discusses on the scope of the research. It serves as a guideline for discussion in the subsequent chapters:

- This study focuses on the family owned firms that are planning to or have obtained ISO9000 within the Malaysian context.
- This study is based on both qualitative and quantitative methods.
- The TQM principles being selected and examined in this study are limited to only six principles based on the Malcolm Baldrige National Quality Award (MBNQA) model.

- The managers were selected as the unit of analysis as they have a better understanding on the quality management level in their firms.

1.6 Significance of Study

The contributions of this research can be divided into theoretical contributions and managerial contributions.

1.6.1 Theoretical Contributions

From the theoretical point of view, this research has extended previous studies carried out in most of the western countries and provides a great potential by enriching the TQM literature with a better awareness of the impact of TQM principles result in increased organizational performance. The existing research is one of the few studies, which attempt to study the relationship between TQM practices and organizational performance by emphasizing on family owned firms. This research was initiated to improve imbalance in the research field of TQM.

1.6.2 Managerial Contributions

This research has shed some light into some practical contributions for organizations that plan to adopt TQM practices within their organizations, in which the firms will be able to examine the relationship between TQM practices and organizational performance. Firstly, the impact of any of the six TQM constructs can lead to different implications on the overall performance at different levels of the organization. Secondly, if the senior management has the intention to adopt TQM, they can find some useful insights in this research. This study may also help us by informing us of the limitation when certain strategic TQM program is adopted, which may have a negative impact on the results for organizational performance. Thus, it can be concluded that this study can provide a basis for practitioners to carry out their TQM program more effectively and efficiently in their organization.

1.7 Outline of the thesis

This thesis contains six chapters and is structured as follows.

Chapter 1 gives a brief background of the study, problem statement, research questions, research objectives, significance of the research and outline of the thesis.

Chapter 2 reviews the history of TQM, the quality gurus' approach to TQM, the quality award models and other researchers conducting in the area of TQM. Based on the outcomes of the literature review, the six TQM practices were selected in this study. Finally, the theory of organizational performance is identified.

Chapter 3 explains the development of a research model of TQM and its relationship with organizational performance. Based on the literature review of the relationship between TQM practices and organizational performance, a theoretical framework linking TQM practices and organizational performance are developed in which six hypotheses have been proposed to be tested in this study.

Chapter 4 describes the methodology of the study. The research strategies used in this study are discussed in detail. The sections included are unit of analysis, sampling procedures, data collection method, pilot study, validity and reliability tests as well as explanations on the statistical methods for analysis of primary data and testing of the six hypotheses are described in this chapter.

Chapter 5 presents the data analysis and findings of the research. Descriptive statistical analysis was included, followed by the reliability and validity tests. Research hypotheses of the study were tested using multiple regression analysis (MRA), following a series of assumptions testing by using, normality test and correlation analysis.

Chapter 6, the final chapter of this thesis, is devoted to conclude the findings of the study. This chapter also presents the contributions of the study as well as limitations and future research of the study. Finally, the conclusion of this study was presented.

1.8 Definition of Terms

Total Quality Management (TQM): TQM can be defined as incorporating ongoing efforts of each individual within the firm to achieve customers' satisfaction and quality improvements (William, 2005)

Leadership: Anderson et al. (1994) explains the concept of leadership as: The ability of top management to establish, practice, and led a long-term vision for the company, driven by changing customer needs, as opposed to the role of internal management controls.

Strategic planning: Strategic planning is associated to setting and adopting long-term goals and mission so that these organizational objectives can be accomplished efficiently and effectively (Wong et al., 2010).

Customer Focus: Customer focus can be defined as the extent to which a company continues to meet customer needs and expectations (Philips Quality, 1995).

Process Management: Process management can be defined as the behavioral and systematic practices that are vital to dealing the process rather than the results (Anderson et al., 1994; Teh et al., 2008; Ooi, 2009).

Information & Analysis: Information and analysis can be defined as the scope, management and use of data and information to maintain a customer focus, to drive good quality control and to improve performance (Malcolm Baldrige National Quality Award (1997).

Human Resource Management (HRM): HRM is the adoption and development policies and strategies to carry out management tasks such as organization, planning, acquisition and motivation (Dessler, 2000; Armstrong, 2000; Wong et al., 2010).

Organizational Performance: Organizational performance consists of employee satisfaction, customer satisfaction, product quality and strategic business performance which reveal that the impact of performing business, show the ability of a firm's competitiveness in the marketplace and its financial health and predict its future failure or success (Zhang, 2000)

2.0 LITERATURE REVIEW

2.1 Total Quality Management

TQM, or total quality management is a continuous practicing philosophy that could trace its origin from Feigenbaum in 1951 (Martinez-Lorentae et al., 1998) where he defines Total Quality Control (TQC) as:

“An effective system for integrating the quality development, quality maintenance and quality improvement efforts of the various groups in an organization so as to enable production and service at the most economical levels which allow for full customer satisfaction.”

Many quality gurus such as Crosby, Deming, Ishikawa and Juran in addition to Feigenbaum have contributed greatly to the knowledge of quality control and quality management. In fact, it was widely acknowledged the concept of quality sprouted from US during the second World War where the American army pushed for the statistical sampling method. It was also from the USA where Deming came from and brought the idea of quality management to Japan after World War II. With the quality ideas widely promoted by the Japanese, Deming Quality Award was established in Japan in 1951 in recognition of his contribution.

On the other hand, it was not easy to establish the clear date when was the term TQM coined (Martinez-Lorentae et al., 1998). Anecdotaly, it was believed that the US Naval Air Systems Command began to use the term TQM in 1985 to describe the Japanese system of quality management. (Bemowski, 1992).

Many researchers had acknowledged the importance of quality in long-term sustainability and future competitiveness (Chen, 1999, Phusavat and Kanchana, 2008). The emphasis on quality has brought many US organizations back to life in the 1990s to counterattack the onslaught of the Japanese goods invasion to the USA (&European) shores. To encourage and promote the practice of quality management, government and interest groups have established awards to recognize organizations which are successful due to the implementation of quality management concepts. Such prominent quality awards are Macolm Baldrige National Quality Award (MBNQA) in the USA the European Quality Award in Europe (also Deming Award mentioned above in Japan).

There are many TQM practices that are identified by many scholars and also organizations. For example, MBNQA adopted six dimensions and one performance (Teh et al., 2008). These are leadership; strategic planning; customer and market focus; information and analysis; human resource-focus; process management; and business

results. On the other hand, in a very extensive review of TQM practices by Mehra et al., (2001) they listed down the key practices in TQM implementation in both manufacturing and service industries that are accepted by TQM researchers and practitioners. They found that there are forty-five elements all together, they later group and summarize all these 45 elements into five main domains; *management structure, quality tools, supplier support, customer orientation and environmental focus*. At the same time, Brah et al. (2000) carried out their study on service quality management amongst the service firms in Singapore. They first identified fifty-five TQM items and forced these items into 11-factor structure analysis. As a result, in their study they identify and empirically validate critical areas of TQM as the basis to analyze the relationship between TQM and business performance in Singapore's services industry. They have come out with eleven constructs of TQM implementation which are; top management support, customer focus, employee involvement, employee training, employee empowerment, supplier quality management, process improvement, service design, quality improvement rewards, benchmarking cleanliness and organization. For these eleven constructs, it was found that only five of them contribute to both the financial and operating performance of the service firms surveyed. These five constructs are; top management support, customer focus, employee involvement, employee empowerment and quality improvement rewards. In addition, six TQM dimensions namely leadership, customer focus, strategic planning, information sharing, process management and human resource focus were proposed from the studies of Prajogo and Sohal (2003).

Based on the extensive review of the TQM literature including the criteria of well-known quality award such as MBNQA, we have selected the following six TQM key practices for our study (i.e. leadership, strategic planning, customer focus, process management, information & analysis and human resource management) for the following reasons (Hoang et al., 2006; Arumugam et al., 2008);

- a) They have been identified as key elements in TQM adoption in both manufacturing and service organizations (e.g. Powell, 1995; Hoang et al., 2006).
- b) They cover both dimensions which represent the hard and soft principles of TQM discovered in the literature review (e.g. Dale, 1999; Prajogo and Sohal, 2003)
- c) They incorporate the most well-known quality award criteria that are widely accepted by scholars and practitioners (e.g. Prajogo and Sohal, 2003; Samson and Terviousky, 1999).

2.2 Family Owned Business

To define a family owned business, it could mean a family controlled business and or family owned business. Researchers continue to disagree over definition of family business (Chrisman, Chua & Sharma, 2005). Chrisman et al (2005) went on to describe that the definition of family business can be anchored from four corners, (1) family's influence over strategic direction of a firm; (2) the intention of the family to keep control; (3) family firm behaviour; and (4) unique inseparable, synergistic resources and capabilities arising from family involvement and interaction.

After going through some literature and twenty eight definitions, Miller et al (2007), summarized the definition of family owned business to be as simple and straight forward as, "one in which multiple members of the same family are involved as major owners or managers, either contemporaneously or over time."

Family owned enterprise plays a very key role in the economy both in developed world as well as in developing economies such as Malaysia. It is believed that in the USA, family owned business makes up 50% of the GDP and 60% of the employment. According to statistics from the Family Enterprise Centre University of Pittsburgh (Damast, Businessweek 2007).

In the example of Australia, in one joint- study by MGI (an international auditing, accounting and consulting firm) and Australia's RMIT University reported that family enterprises generate more than half of Australia's employment growth and account for about 40% of Australia's private sector output (MGI & RMIT, 2006). Over half of Australia's top 500 private companies are family owned. However, the study has found that half of family business owners have little commitment to continued family ownership or leadership of their businesses and are much more willing to sell to outside interests.

In a European Commission report it was stated that Family businesses make up more than 60 % of all European companies, encompassing a vast range of firms of different sizes and from different sectors (EC EIDG, 2009). In another data by IFB (Institute of Family Business, UK), there seems to be some contradicting data obtained. It claimed that family owned business contributed around 30% of the GDP and 40% of the private sector employment (IFB, 2008 Annual Report). It also mentioned that most family businesses in the UK are just one generation old. A surprising 42% of the UK entrepreneurs have no succession plan and just 16% of medium-sized family companies have been run by the same family for 3 or more generations. It is estimated that only 1 in 10 family businesses survive beyond the third generation and younger family members often face special challenges when trying to find their role within the family firm. (IFB, 2008)

Infer from the above data from UK and Australia, the contribution of family owned business is suspected to be not lesser significant in Malaysia. The study on family owned business is still lacking or in its infancy. The image of family owned business deserves better treatment compare to the contribution in the economy generated by them.

3.0 METHODOLOGY

The research will be carried in two stages. In the first stage, qualitative research through the method of personal interview will be carried out with sample family owned business firms to gather their understanding or perception of what TQM is all about?

In the second stage, questionnaire will be mailed out to the sample to gather quantitative data on the quality management practices and performance of the family owned firms.

The sample for this study will consist of ISO9000 certified organizations from family owned enterprise in Malaysia. A survey will be conducted in Malaysia using the questionnaire.

4.0 DATA ANALYSIS

Data Analysis for this study involves two major steps, namely, the data reduction process and the linear structural relation analysis (SEM). SEM is particularly useful in this thesis because it can estimate “a series of separate, but interdependent, multiple regression equations simultaneously” in a specified structural model (Hair et. al., 1998, p. 584). Thus, SEM is the most suitable analysis to estimate the strength of the relationship between TQM and family firms’ performance.

5.0 THESIS COMPLETION PLAN

The thesis completion plan and estimated time to complete each section is as follows:

Sections	Topic(s)	Months
1	Introduction	2
2	Literature Review	8
3	Conceptual Research Framework	2
4	Methodology	6
5	Results and Data Analysis	6
6	Discussion	6
7	Conclusions, limitations and future research, Implications	6
	Total	36

6.0 CONCLUSION

In summary, this thesis attempts to bridge the gap by conducting a thorough investigation of the association between TQM and family firms’ performance. The study is believed that it will contribute significantly to the TQM of research literature, by helping quality practitioners and academicians to better understand the associations between TQM, firms’ performance among Malaysia’ family owned enterprise in structural relationships.

7.0 REFERENCES

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