

THE RELATIONSHIP BETWEEN TOTAL QUALITY MANAGEMENT (TQM)
PRACTICES, SERVICE QUALITY, MARKET ORIENTATION, AND
ORGANIZATIONAL PERFORMANCE

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In the Name of Allah, The Most Beneficent, The Most Merciful

All praise is due to Allah and to Him do we beseech in our affairs of this world and the Hereafter. And may Allah's Peace and His Blessings upon the Prophet Muhammad (SAW), his family and his companions. Aameen.

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ABSTRAK

Kedua-dua organisasi, pengeluaran dan perkhidmatan telah menyedari peri pentingnya kualiti. Oleh sebab itu, mereka telah dipengaruhi oleh beberapa program kualiti yang berkaitan pengurusan kualiti menyeluruh (PKM). PKM seringkali diperkatakan menyediakan pelbagai faedah kepada organisasi. Satu daripadanya ialah kualiti perkhidmatan yang lebih baik yang mana ianya adalah penting untuk organisasi-organisasi perkhidmatan dalam memuaskan kehendak dan keperluan pelanggan. Sebahagian daripada faktor-faktor yang mempengaruhi orientasi pasaran adalah juga sebahagian daripada elemen-elemen PKM. Oleh itu, PKM dikatakan mempengaruhi orientasi pasaran, yang mana ianya penting untuk memperbaiki pasaran berkesan dan prestasi organisasi. Tambahan lagi, konsep dan prinsip-prinsip orientasi pasaran telah disahkan boleh mempertingkatkan prestasi organisasi. Tujuan utama kajian ini adalah untuk mengkaji hubungan antara amalan PKM, kualiti perkhidmatan, orientasi pasaran dan juga kesannya ke atas prestasi organisasi dalam organisasi-organisasi perkhidmatan. Borang soal selidik telah diedarkan kepada pengurus-pengurus di 175 buah organisasi perkhidmatan di kawasan utara Malaysia (Kedah, Perak, Pulau Pinang, dan Perlis), dan hanya 101 dikembalikan. Hasil dapatan menunjukkan hanya pemberian kuasa pekerja, maklumat dan komunikasi, keutamaan pelanggan dan pembaikan berterusan yang mempunyai kesan yang bermakna ke atas kualiti perkhidmatan, manakala hanya pemberian kuasa pekerja dan keutamaan pelanggan yang mempunyai kesan yang bermakna kepada orientasi pasaran. Kedua-dua kualiti perkhidmatan dan orientasi perkhidmatan mempunyai kesan kepada prestasi organisasi tetapi tidak menjadi pemoderat dalam hubungan antara amalan PKM dan prestasi organisasi.

ABSTRACT

Organizations, both manufacturing and service have realized the importance of quality. Therefore, they have been influenced by some quality programs related to Total Quality Management (TQM). TQM is always said to provide a lot of benefits to the organization. One of them is better service quality, which is crucial for service organizations in satisfying customers' needs and wants. Some of the antecedents of market orientation are part of the elements under TQM. Therefore, TQM is said to influence the market orientation, which is important to enhance effective market and organizational performance. Furthermore, it was already established that the concept and principles underlying market orientation could improve organizational performance. The intention of this study was to examine the relationship between TQM practices, service quality and market orientation as well as their impact on organizational performance in service organizations. Questionnaires were distributed to the managers of 175 service organizations in northern region of Malaysia (Kedah, Perak, Penang, and Perlis), and only 101 were returned. The results show that only employee empowerment, information and communication, customer focus and continuous improvement had significant effect on service quality whilst only employee empowerment and customer focus had significant effect on market orientation. Both service quality and market orientation was significant to the organizational performance however; they did not mediate the relationship between TQM practices and organizational performance.

Chapter 1

INTRODUCTION

The importance of quality has become the main concern for many organizations, both public and private. In Malaysia, most organizations have started to consider quality as an essential part of their business plan in order to meet the challenges of new global environment. This chapter gives the overview of the study, which consists of background of the study, problem statement, objectives of the study, research questions, significance of the study and finally the organization of the report.

1.1 Background of Study

Quality is always referred as the conformance to requirements (Crosby, 1979) or fitness for use (Juran, 1979). Traditionally, quality is associated with the product or service that a customer receives in which it is broadly defined as the ability of a product or service to consistently meet or exceed customers' expectations. Deming (1982) defines quality as a predictable degree of uniformity and dependability, at low costs and suited to the market.

Meanwhile, Total Quality Management (TQM) is a management philosophy which involves everyone in an organization in a continual effort to improve quality and achieve customer satisfaction (Stevenson, 2002). The word “total” means it applies to everything in which it aims to satisfy all customers, both internal and external. It expands the traditional view of quality, by looking at the quality of every aspect of the process that produces the product and service instead of looking only at the quality of the final product or services.

The U.S. General Accounting Office (1991) defined TQM as a relatively new approach to the art of management, which seeks to improve products and services quality and increase customer satisfaction by restricting traditional management practices. It integrates strategy, management practice and organizational outcomes to create a quality organization that continuously improves and sustains its performance. As long as it is fully adopted and effectively practiced, it will strengthen the organizational performance.

According to Dotchin and Oakland (1994), even though TQM is more related to manufacturing companies, it is believed that the concepts and principles underlying it are equally relevant to service industry. Therefore it can be applied in manufacturing companies as well as service organizations since both manufacturing and service organizations aim to satisfy customer needs and wants.

Due to the absence of tangibility of a service, customer satisfaction depends directly and most immediately on the management and monitoring of individual 'service encounter' – the period when customer interacts directly with a service (Parasuraman, Zeithaml, & Berry, 1988; Shostack, 1984, 1987; Suprenant & Soloman, 1987; Bitner, 1990).

TQM is an approach historically unique to improve the organizational effectiveness with solid conceptual foundations, which at the same time, provides a strategy to enhance business performance, taking into consideration the way companies and their staffs operate (Wruck & Jensen, 1994).

1.2 Problem Statement

The emergence of the service industry nowadays has increased the researchers' interest in service quality. The main objective of TQM is to establish a management system and corporate culture to ensure that customer satisfaction is enhanced, which involves a systematic method for continuous improvement of organizational processes, resulting in high quality products and services (Waldman, 1994). However, most of what has been written on TQM is usually related to manufacturing related organizations (Agus & Abdullah, 2000; Agus, 2000; Ljungstrom & Klefsjo, 2002) even though its principles and concepts can also be applied in service organizations.

Quality system like TQM could lead to a better service quality and organizational performance (Cook & Verma, 2002). On the other hand, market oriented behavior is crucial for any organizations in order to compete in the industry. Literature has found that some elements in TQM have a positive impact on market orientation (Litton, 2001). However, most of what have been written on TQM is usually related to manufacturing companies even though it is widely believed that concepts and principles under TQM are equally relevant to service organizations. There is a shortage of TQM study in the service sector in general (Brah, Wong, & Rao, 2000). Therefore this research tries to investigate the impact of TQM practices on service quality, market orientation as well as organizational performance in service organizations.

1.3 Research Objectives

This study is conducted to assess the impact of TQM practices on service quality, market orientation and organizational performance in service organizations. It explains the nature of the relationship between TQM practices, service quality, market orientation as well as their impact on organizational performance. This research is organized in to find the nature of the relationship between TQM practices, service quality, market orientation as well as organization in conjunction with the stated objectives below:

1. To determine which TQM practices significantly contribute to service quality.
2. To determine which TQM practices significantly contribute to market orientation.
3. To determine how service quality and market orientation affect the organizational performance.
4. To determine whether service quality mediates the relationship between TQM practices and organizational performance.
5. To determine whether market orientation mediates the relationship between TQM practices and organizational performance.

1.4 Research Questions

This research attempts to address the questions of:

1. Which TQM practices have an impact on service quality and market orientation?

2. How TQM practices, service quality and market orientation affect the organizational performance?
3. Which TQM practices has a major contribution in developing better service quality, market orientation and organizational performance?
4. Whether service quality and/or market orientation mediates the relationship between TQM practices and organizational or not.

1.5 Significance of the Study

Many studies have been done on the success and failure of TQM but this study investigates the impact of TQM on service quality, market orientation, and organizational performance in service organizations. In particular, this study investigates the mediating variables that explain the TQM and organizational performance relationship. This is a contribution to service industry since there are still lack of studies that have been done in relation to TQM in service organizations due to its origin, which is much related to manufacturing organizations.

Potential findings resulting from this research should contribute towards understanding the improvement in quality efforts in service organizations in the context of Malaysian practitioners. This research would also provide some theoretical contributions to the TQM development, in relation to service quality, market orientation and their impacts on organizational performance.

1.6 Organization of the Report

This report includes five chapters in which chapter one introduces the importance of TQM in service organizations. Chapter two reviews the literature on TQM practices and its impact on service quality, market orientation, as well as organizational performance. Chapter three addresses the methodology, the theoretical framework of this study and the development of research hypotheses, variables, measurement, sampling design, research design, and statistical tests used in analyzing the data in this study. Chapter four explains the results from the analysis in Chapter three, which comprises organizations' demographic information, goodness of measure, descriptive analysis, results of hypotheses testing, and the summary of results. Chapter five discusses the findings of the study and its implications, limitations and recommendations for future research.

Chapter 2

LITERATURE REVIEW

In contemporary management, TQM has become the major business strategy in the 1990s (Witcher, 1994; Lee & Leung, 1999). The evolution of TQM into an all-pervasive philosophy of management took shape through the works of Crosby (1979), Deming (1982, 1986), Feigenbaum (1983), Ishikawa (1972), Juran (1988) and Taguchi (1982). The success of TQM will result in improved employee involvement, improved communication, increased productivity, improved quality and less reworks, improved customer satisfaction, reduced costs of poor quality and improved competitive advantage (Antony, Leung, Knowles, & Gosh, 2002).

Strong competitive pressure has embarked organizations in Malaysia to offer high quality products and services as a way to attract and keep their customers. Therefore, many organizations have already implemented TQM, in order to improve their positions in the market place.

This chapter reviews what past researchers have done and discussed on TQM practices and their impact on service quality, market orientation and organizational performance.

2.1 Definition of TQM

Total Quality Management (TQM) is a management philosophy under which an organization operates, which seeks to improve quality and increase customer satisfaction. The philosophy is holistic, applying to everything (total) with the aims to

satisfy all customers, both internal and external, specifically users of the customers' products and services (quality) and it follows the example set of and reinforced in the organization (management). It is not only a management process but also a corporate philosophy, which recognizes that customer needs and business goals cannot be separated (Agus, Krishnan, & Syed, 2000).

Litton (2001) defined TQM as a management philosophy and tools designed to achieve long-term business success by delivering customer satisfaction through a focus on quality and continuous improvement in all business processes.

From the various definitions, we used the Malaysian context definition by the Prime Minister's Department (1992) that defined TQM as a continuous process of culture transformation through which the existing elements of the culture are modified, replaced or strengthened with better elements that encompass values and attitudes, systems and procedures, operational practices, organization structure and so forth (Development Administration Circular, 1992).

Quality here does not only mean the production of quality products and services but also encompasses all operations and activities pertaining to an organization. At this stage, quality will be reflected in many ways in an organization such as effectiveness of management, ability of the employees, efficiency of the operational systems and so on.

2.2 TQM Practices

A distinction can be made between the TQM content, elements, processes or practices. It is so-called elements (Waldman, 1994) practices and principles (Dean & Bowen, 1994), values and techniques (Hellsten & Klefsjo, 2000), processes and contents (Reed, Lemak, & Mero, 2000), interventions (Hackman & Wageman, 1995), principles and precepts (Sitkin, Sutcliffe, & Schroeder, 1994), etc. Although definitions do not coincide in full, all of them still refer to those fundamentals that make up TQM theoretical frame without which the management system implemented in the organization or the philosophy on which it is based could not be called TQM (Javier, Antonio, & Mignel, 2003).

Saraph, Benson, and Schroeder (1989) argues that there are eight critical success factors (CSFs) for TQM implementation such as: top management leadership, role of the quality department, training, product design, supplier quality management, process management, quality data reporting, and employee relations.

Meanwhile, Black and Porter (1996) reveals ten major TQM practices. They are people and customer management, supplier partnerships, communication of improvement information, customer satisfaction orientation, external interface management, teamwork structures for improvement, operational quality planning, quality improvement measurement systems, and corporate quality culture.

Even so, Antony et al. (2002) describes eleven TQM practices: management commitment, role of the quality department, training and education, employee involvement, continuous improvement, supplier partnership, product/service design,

quality policies, quality data and reporting, communication to improve quality, and customer satisfaction orientation.

Sureshchandar, Rajendran, and Anantharaman (2002) expands the practices even further and come out with twelve major practices comprise of top management commitment and visionary leadership, human resource management, technical system, information and analysis system, benchmarking, continuous improvement, customer focus, employee satisfaction, union intervention, social responsibility, servicescapes, and service culture.

Brah et al. (2000) in their study on TQM and business performance in Singapore service sector has come out with eleven constructs of TQM implementation, which are the top management support, customer focus, employee involvement, employee training, employee empowerment, supplier quality management, process improvement, service design, quality improvement rewards, benchmarking, and cleanliness and organization.

Based upon the above literature, the researcher has selected the following list of seven main practices of TQM implementation for this study. All practices are selected due to their relation and mostly support in service organization and market oriented behavior: management support and commitment, employee involvement, employee empowerment, information and communication, training and education, customer focus, and continuous improvement. All these seven practices are among 25 TQM practices listed to be the most common extracted across 76 studies on TQM (Sila & Ebrahimpour, 2002).

2.2.1 Management Support and Commitment

To be successful TQM must be top-management driven and focus on maximizing efficiency and effectiveness, and promoting market dominance through improving systems and processes, error prevention, and aligning business objectives and customer needs (Agus et al., 2000). It was found by Ahire, Golhar, and Waller (1996), Flynn, Schroeder, and Sakakibara (1994), Grandzol (1998), and Powell (1995) that top management commitment was positively correlated with many performance measures such as financial and operational results and customer satisfaction.

2.2.2 Employee Involvement

Since the philosophy of TQM is to prevent defects of goods or services early in the production process rather than fix it at a later stage, employee commitment is a necessary element for successful TQM implementation (Lee & Howard, 1994). Quality is everybody's responsibility (Gunasekaran & Goyal, 1998) involving each employees which results to better service quality and market oriented behavior that in turn relates to high organizational performance.

2.2.3 Employee Empowerment

Another key focus area in the TQM implementation is the empowerment of employees like work groups, task teams, functional teams and self-management teams. To be succeeding, both employees and managers must be committed enough and trusteeship must be developed among them (Dean & Helms, 1996). Empowerment practices when simultaneously implemented have a favourable effect

on employee well being, productivity, performance and service quality (Geralis & Terziowski, 2003).

2.2.4 Information and Communication

Organization should have correct information to ensure all employees understand with the organization and its process. Therefore, to make sure the information is accurately and effectively disseminated to the right person at the right time, organization need to have a good communication system. Anjard (1998) mentioned that a better communication could be accomplished if an organization implements the TQM effectively. This is because in TQM, people will communicate more open and frequent among them.

2.2.5 Training and Education

In order for employees to be committed and actively participate and contribute their ideas to the successful of TQM, they need to be trained and educate. According to Juran (1989), training must be provided to all employees from all levels. The employees' level of knowledge can be reinforced depending on the attention paid to training and education by the system.

2.2.6 Customer Focus

According to Brah, Serene, and Rao (2002), customer focus refers to organization's effectiveness in recognizing its customer needs, wants and expectations. It is believed that the focus on their needs is important in serving better quality of service (Patel, 1995). Issues related to customer focus and satisfaction received the biggest coverage in the TQM survey literatures analyzed here given the major push toward a customer

satisfaction orientation in virtually all types of businesses (Sila & Ebrahimpour, 2002).

2.2.7 Continuous Improvement

Continuous improvement is always refer to better and better quality, less and less variation, which results from process management practices that bring improvements and innovating in products, services, and processes (Zairi, 2002). Work process and improvements are very much focused in TQM implementation (Antony et al., 2002) in which employees will contribute more on the elimination of root causes instead of problem corrections. All of these are to ensure increase in quality and reduce rework and wasting of time.

2.3 Service Quality

A service is a process that leads to an outcome during partly simultaneous production and consumption processes (Gronroos, 2001). Service quality is the great differentiator; it gets and keeps the customer's attention (Berry, Parasuraman, & Zeithaml, 1988). According to Gronroos (1984) and Parasuraman, Zeithaml, and Berry (1985, 1991), the traditional approach for defining service quality emphasizes that service quality perception is a comparison of consumer expectations with actual performance. Chia et al. (2002) simplified the definition of service quality as a comparison between consumers' expectations and their perceptions of the service they actually receive.

Many studies on the TQM implementation and its effect on performance have been published, but the sample of companies targeted showed that manufacturing

companies have been surveyed to a greater extent compared to service sector (Sila & Ebrahimpour, 2002). This may be because of TQM has its origin in manufacturing related organizations (Brah et al., 2000) as well as the assessment and measurement of quality management in services may seem more difficult because of the intangible nature of services (Parasuraman et al., 1985).

Juran (1979) classified the measurement of quality in a service organization along 2 dimensions: internal and external. Internal measurement is to measure the internal process, while external measurement is to measure the quality of products or services based on customer satisfaction. The main yardstick of performance in quality for service organizations is external customer satisfaction. According to Lee and Howard (1994), in providing preliminary feedback of an organization's quality improvement an internal climate survey could be utilized, which refers to employees' and managers' perceptions, about their organization and work units along several dimensions.

Among various concepts on service quality, two of them are most widely accepted and used by researchers, the SERVQUAL model by Parasuraman, Zeithaml, and Berry (1988) and the Technical/Functional Quality framework by Gronroos (1983, 1990). Parasuraman et al. (1985) proposed a conceptual framework of service quality based on the interpretation of qualitative data from extensive explanatory research performed in four service businesses. SERVQUAL instrument by Parasuraman et al. included two 22-item sections. The intent is to measure customer expectations for various aspects of service quality and customer perceptions of the service they actually received from the local service organization (Lassar et al., 2000).

Parasuraman et al. (1988) in their research found that customers consider five dimensions in their assessment of service: reliability, responsiveness, assurance, empathy, and tangibles, which represent how the customers organize information on service quality (Cook & Verma, 2002).

The SERVQUAL instrument has been used widely all over the world but it cannot avoid from criticisms. Many researches conducted in a variety of settings suggest that the five SERVQUAL dimensions may not be universal for all services and that it is probably unnecessary to administer the expectation every time SERVQUAL is administered (Babakus & Boller, 1992; Carman, 1990; Parasuraman et al., 1991).

Apart from expectations-performance methodology by Parasuraman et al. (1988), Cronin and Taylor (1992) claimed that a psychometrically superior assessment of service quality could be obtained through the SERVQUAL performance items alone. According to Lassar et al. (2000), recent researchers have started integrating other constructs and measures along with the SERVQUAL dimensions in order to extend and improve the explanatory power of this model.

Gronroos (1983) has his own functional/technical model of service quality. He used a two-dimension model of service quality: [1] technical quality, and [2] functional quality. In this model, he explained that technical quality entails what is provided and functional quality takes into account how it is delivered. He also suggests that service quality is dependent on two variables: the consumers' expectations of what the outcome will be, and the consumers' perception of the actual result (Dotchin & Oakland, 1994). Gronroos (1984 in Dotchin & Oakland, 1994) indicated that functional quality will be compensated for temporary problems with technical quality but

will not make up for an overall lower quality level. This means that as far as services are concerned, if technical quality is at least satisfactory, then functional quality is the important factor of consumer perceptions. Meanwhile, where technical quality is very similar among firms, functional quality is an important means of differentiation.

The two dimensions of service performance (technical and functional quality) are compared to the customers' expectations and eventually the customer has their own service quality perceptions (Chia, Chin, & Chin, 2002), which consists of service culture and service process. According to Anderson and Fornell (1994), Gronroos' model has received a lot of attention recently even though it has not been utilized or tested to the extent of the SERVQUAL model.

Lassar, Manolis, and Winsor (2000) in his study on service quality perspectives and satisfaction in private banking concluded that technical/functional quality based model of service quality is better suited as compared to the SERVQUAL based model in predicting customer satisfaction when customers are actively involved or highly interested in service delivery.

2.4 Market Orientation

Asian firms, especially telecommunication/information technology firms, need to understand the concept and application of market orientation in order to compete successfully in this globalization era (Johnson & Huizenga, 2001). According to Greenley (1995), the concept of market orientation is important in both marketing and strategic management in which the external orientation of an organization towards its markets can be described in terms of being market driven or market oriented.

Jaworski and Kohli (1993) argued that market orientation is concerned with behaviors and activities in the organization. They have defined the market orientation as the organization-wide generation of market intelligence, disseminating and responding to the market intelligence across departments in the organization. Meanwhile some authors relate the market orientation with cultural perspective such as Narver and Slater (1990), Deshpande, Farley, and Webster (1993) even though in 1989 Deshpande and Farley mentioned that market orientation is not a culture but a set of activities in an organization (Farrell, 2000). However, according to Narver et al. (1998), market orientation is a basic part of organizational culture and not a set of processes and activities that aimed to create a market oriented culture, each employee must understand that the whole purpose of the organization is to create superior value for customers (Farrell, 2000).

Narver and Slater (1990) defined market orientation as the organization culture that most effectively creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business. Besides, they also argue that the behavior and culture of an organization are inter-linked in which an organization's behavior is shaped by its culture and over time culture is shaped by the organization's behavior and performance. Furthermore, Deshpande and Farley (1996) found that market orientation was in reality identical with a customer orientation. As cited in Heiens (2000) Deshpande and Webster (1989) as well as Payne (1988) state that parallel to the marketing concept usually customers have been considered as the main focus of market orientation.

According to Selnes (1996) in Gounaris, Stathakopoulos, and Athanassopoulos (2003), when market orientation is developed, generally it leads to positive job

attitude, commitment and team spirit for the employees. Harris (1999) mentioned that positive job attitude, commitment and team spirit among employees are crucial in the service sector especially to the front-line personnel who play an important role in delivering superior service quality.

2.5 Organizational Performance

Many authors have different definitions of performance. Venkatraman and Ramanujan (1986) consider three aspects of performance, among them are: financial performance, business performance, and organization effectiveness and the later has been subsequently known as organizational performance (Chu-Hua, Madu, & Lin, 2001; Terziovski & Samson, 1999).

According to Griffin (2003), organizational performance, as a result, is described as the extent to which the organization is able to meet the needs of its stakeholders and its own needs for survival. Therefore, performance is not suitable equated with a certain profit margin, a high market share, or having the best products, although these things may result from fully achieving the description of performance. To him, organizational performance is influenced by multitude factors that are combined in unique ways to both enhance and detract performance.

2.6 TQM and Service Quality

Quality programs are designed to boost the organization's potential revenue and reduce the cost of quality (Banks, 1992). Previous empirical studies regarding the linkages between TQM and organizational performance as well as quality have shown strong and positive results. This is agreed by Ahire et al. (1996), Flynn et al. (1994),

and Samson and Terziovski (1999). This is true since the main focus of TQM as suggested by Deming, Juran, Crosby, and Ishikawa is to improve quality. A research on the relationship between TQM practices, quality performance, and innovation performance conducted by Prajogo and Sohal (2003) concluded that TQM is significantly and positively related to quality performance as well as innovation performance.

According to Antony et al. (2002), successful TQM implementation will give benefits in improving quality and reducing rework as well as reduction in costs of poor quality such as scrap, rework, late deliveries, warranty, replacement, etc.

Furthermore, Brah et al. (2002) supported the proposition that TQM implementation correlates with quality conformance. Behavioral factors such as role of top management leadership, customer focus, human resource focus, and quality focus as well as TQM tools and techniques like corporate planning, process focus, and information and analysis contribute to the successful TQM implementation.

Other TQM elements also give a better result to an organization. When organizations provide supportive structures and processes like TQM for their employees, these employees are more able to provide top quality products and services to their external customers (Gilbert & Parhizgari, 2000).

Cook and Verma (2002) in their study on linkages between quality system, service quality and performance excellence found that according to the perceptions of the bank's employees, quality systems affects service quality that in turn relates to organizational performance.

Litton (2001) also said that TQM process improves quality and service. He concluded in his paper on TQM – Concept Articulation that effective TQM processes can generate marked improvements in both product and service quality which then resulted in increased customer satisfaction and organization's profitability.

As cited by Geralis and Terziovski (2000), Roth and Jackson (1995) found that by establishing a motivated, customer oriented management philosophy and practice; internal service quality levels will be more favorable. They also found that employees' processing organizational knowledge and skills are important in delivering service quality in which high levels of employee morale and satisfaction were found dependent on the empowerment and involvement of employees. All the customer focus, employees' skills and knowledge as well as their empowerment and involvement are some of the practices under TQM. Therefore TQM can lead to a better level of service quality in organization.

2.7 TQM and Market Orientation

According Javier et al. (2003), the significance of taking into consideration business orientation is already an accepted idea in the TQM literature. Top management such as Chief Executive Officers and Senior Managers are part of the elements in TQM practices. Hambrick and Mason (1964) and Webster (1988) said that it is argued that senior managers shape the direction of the organization as well as its values. Jaworski and Kohli (1993) have found that the amount of emphasis senior managers place on market orientation affects both the acquisition of and responsiveness to information, and that market orientation requires risk taking on the part of senior managers. Therefore this shows that the element in TQM practices, which is top management support, contributes something to a better market orientation in an organization.

As well as top management support, another main element in TQM practice is customer focus. Recently, most researches suggest that it is more than a marketing concept, but it also refers to the ability to capably and positively impact on the organization's value chain (Javier et al., 2003). Narver and Slater (1990) also found that customer focus is positively related to profitability.

Moreover, according to Hensler (1994), which is revealed by Litton (2000) in his paper TQM – Concept Articulation, besides becoming a cornerstone of the corporate strategy and being often explicit in the organization's mission statement TQM also provides input to the process of marketing orientation. In other words, Hensler said that those organizations that have held TQM in their strategy and corporate culture are by nature market oriented organizations.

As mentioned earlier, TQM leads to product and service quality. This kind of improvements from TQM said Hensler (1994) lead to a higher value perception among customers, which can be the source of differentiation to the organization. Furthermore, for that kind of service improvement, customer will be willing to pay a higher price. Therefore Sparks (1993) said that TQM increases the organization's responsiveness to customer needs, which is part of market orientation, and finally will lead to a longer relationship between the organization and the customer.

The antecedents of market orientation by Jaworski and Kohli (1993), some of them are the same with elements in TQM such as management support and commitment, employee involvement and employee empowerment. This means that, market orientation is another good output from TQM.

2.8 Service Quality and Organizational Performance

It is proven by many previous studies that have been done that TQM did improve organization's products and services. In addition, a large number of studies relate a better quality of products and services to better organizational performance (Forker, Vickery, & Droge, 1996; Golhar & Deshpande, 1999; Kroll, Wright, & Heines, 1999).

Employee's perception of delivery service quality such as tangibles, reliability, responsiveness, and empathy affects organization's performance as measured by monetary and value gain and it is equally essential to understand that superior quality can lead to higher levels of operational performance (Cook & Verma, 2002). Also, Gounaris et al. (2003) considered service quality as an important factor that allows an organization to differentiate itself from competitors and therefore gain a sustainable competitive advantage.

2.9 Market Orientation and Organizational Performance

The influence of market orientation on organizational performance is well already established. Its concept has been defined and empirically validated as a way to improve business performance (Johnson & Huizenga, 2001) and can be a powerful competitive advantage (Porter, 1980; Day, 1990).

According to Caruana, Pitt, and Berthon (1999) and Wood, Bhuian, and Kiecker (2000), both market orientation and customer service orientation have a positive impact on different aspects of an organization's financial performance, including delivered quality, especially in the service sector.

Narver and Slater (1990) tested empirically and found a link between market orientation and business performance. Meanwhile, Jaworski and Kohli (1993) found that market orientation is related to overall business performance (but not the market share), employee organizational commitment and team spirit, and it affords psychological and social benefits to employees.

However, a study on Market Orientation in the Asian Mobile Telecom Industry by Johnson and Huizenga (2001) has found a different result. The study discovered that market orientation was not significantly related to business performance when using combined business performance measures: market share, sales growth, and size of revenue and profitability. Also, a research done by Hult and Ketchen (2001) on the relationship between positional advantage and performance found that the linkage between market orientation and organizational performance is not linear, but rather is embedded within a more complex web of relationships. Heiens (2000) suggest that if an organization fails to develop a market orientation, either customer or competitor-focused, may unfavorably affect business performance.

2.10 TQM and Organizational Performance

As stated earlier, a better quality of services leads to a better organizational performance, in which this being one of the possible impacts of TQM on organizational performance.

The intensity of TQM practices does contribute significantly to the performance (Samson & Terziovski, 1999).

The relationship between TQM implementation and the quality of the organization products has been empirically validated (e.g. Choi & Eboch, 1998; Forza, 1995). A large number of studies relate better quality of the products and services to better organizational performance (Forker et al., 1996; Golhar & Deshpande, 1999; Kroll et al., 1999). This shows the impact of TQM on organizational performance.

Easton and Jarrel (1994) as cited in Brah et al. (2000), report evidence of improved financial performance associate with the implementation of TQM. Powell (1995) studied the relationship between TQM and the organizational performance of 54 firms and found that TQM could add economic value to the firm. Kuei and Madhu (1995) also indicated strong relations between quality measures (customer satisfaction, employee satisfaction and employee service quality) and organizational performance.

Agus (2000) highlighted the unique contribution of TQM practices and the significant role of competitive advantage as a mediating variable in the relationship between TQM and financial performance. In turn, TQM elements are related to organizational performance, using a perspective that is one of the characteristics of the industrial psychology, by ways of the transformations produced in organization members, both regarding what they do and what they are able to do, on one hand, and the efforts made to do it, on the other (Javier et al., 2003).

The U.S. Government Accounting Office Study (GAO, 1991) found a strong relationship between the company's use of TQM (such as strong customer focus, senior management leadership, a commitment to employee training, empowerment, involvement and the application of systematic fact finding and decision making