

TOTAL QUALITY MANAGEMENT (TQM) AND SUSTAINABLE COMPANY PERFORMANCES: EXAMINING THE RELATIONSHIP IN MALAYSIAN FIRMS

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ABSTRACT

This paper investigates the relationship between Total Quality management (TQM) elements and sustainable company performances. TQM models prescribe several important factors: starting with effective leadership that executes brilliant strategies, emphasizing best practices in quality improvements while recognizing the stakeholders' needs. This research employs TQM as the research framework while also taking into consideration the resource-based views (RBV) on the arguments concerning internal capabilities.. An instrument is developed to measure the related TQM constructs and is found to be reliable. Using exploratory factor analysis, it is found that the items clearly fall into six factors: leadership, best practices, customer focus, employee focus, community focus and productivity focus. Another factor analysis on measures of company sustainable performance has resulted in a single factor. The study proceeds with the multiple regression analysis to test the relationship between the dependent, sustainable company performances and the independent factors, the dimensions of TQM. The percentage of variance explained by the three factors is 77 percent with leadership values obtaining 55 percent. In terms of the relationship with performances, all are significantly influenced by customer focus which assumes the highest coefficient of 0.46. It is therefore argued that the leadership within the TQM constructs is the most influencing factor; while to impact on company performance, best practices and stakeholder focus must be implemented. Theoretical and practical implications are discussed.

Keywords: TQM, Stakeholder focus, Malaysia, Company performance

1. INTRODUCTION

Total Quality Management (TQM), upheld as the management concept and practices, continues to evolve into more specific areas and keeps attracting attention (Bou-Llusar et. al., 2009; Molina et. al., 2007; Yeung et. al., 2006; Nair, 2006). Recent studies of TQM in Malaysia have brought to our attention different issues that spread across industries. For example several authors speaks of service quality (Ramayah et. al., 2011; Sia and Muthusamy, 2011, Ramli et.

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al., 2009), quality practices and quality costs in manufacturing company (Cheah et. al., 2010; Islam and Karim, 2011), TQM Implementation in the Small Medium Entreprises (SME) (Abdullah, 2010); TQM/ISO and the contextual fit (Abdullah and Ahmad, 2009), TQM and organizational performances such as customer satisfaction, operational flexibility and avoiding conflicts (Idris et al, 2010; Wen et al, 2009; Wan Yusoff et. al., 2010; Arumugam et. al., 2009; Teh et. al., 2009), and TQM relations with other organizational functions such as the HRM (Ooi, et. al., 2009; Hassan, 2010)

Among the still debated issues concerning those studies is the factors of TQM which would lead to improving various organizational performances. Wen et al, 2009, for example, suggest that leadership, customer focus, information and analysis, and human resource focus are found to have significant and positive association with customer satisfaction as perceived by Malaysian service sector's managers. In another important TQM study, Dow et. al., (1999) concludes that only three dimensions; employee commitment, shared vision, and customer focus yield a positive correlation with quality outcomes. In another study done in Australia, Samson and Terziovski (1999) conclude that the main predictors of performance are 'soft' elements of TQM such as leadership, human resource management, customer focus, while the hard factors such as planning and process management, information and analysis, are neither significantly related or negatively related. Therefore, the study leads to one common conclusion- the importance of focusing on the 'soft' elements of TQM.

Another important gap that emerges from the literature is apparent when there is a growing concern on the emergence of important organizational stakeholders. The stakeholders could be as diverse as any related interested parties, but three vital groups; customer, employee and community, recognized by TQM literature have mostly been mentioned. Failing to fulfil their requirements and needs will hinder organizations from achieving their objectives. Therefore, it is imperative that businesses must acquire the managerial knowledge and skills through a right blend of strategies and practices, related to the needs and requirements of these important stakeholders.

Specifically, the objective of this study is to examine the important dimensions of TQM namely; leadership, strategy and objectives, best practices, focus on customers, employee, community and productivity; and how they affect company performances. The author will utilize the resource-based views and the TQM excellence model criteria as the framework for this study.

2. LITERATURE REVIEW

According to the resource-based view, capabilities refer to the capacities of a firm to organize resources, regularly in combination, to affect a preferred result (Amit and Schoemaker, 1993). Capabilities are the capacity to use those resources effectively and efficiently to achieve the desired end. It is achieved through a set of complex relationships between intangible and tangible resources in a period of time. Through continuous repetition and practice, the knowledge will be accumulated throughout the firm and finally will lead to capabilities. Since knowledge has become more important as the main ingredient in the creation of capabilities,

top companies such as Microsoft has emphasized that its best asset is the intellectual strength of its employees.

Peng et. al. (2008) discuss the concepts of operational capabilities that involve bundles of routines; the knowledge, skills and practices gained over a period of time to effectively execute the company objectives. Technical knowhow and managerial ability, for instance, are considered as firms' unique capabilities and are important source of heterogeneity that may result in sustained competitive advantage (Mahoney and Pandian, 1992). Having scrutinized the TQM literatures for organizational capability, it is found that leadership values are mostly emphasized. Secondly, the strategic quality planning is also a striking consideration. Also, some forms of best practices or benchmarking are also included as an important continuous improvement effort in TQM. Next, the focus on the stakeholder; particularly the customers, employee and community are also widely discussed. Another feature of TQM's sustainable performance is the ability to enhance productivity. The paper will now discuss each selected element of TQM in the context of organizational capabilities.

2.1. Leadership

Leadership precedes as the most important element of TQM. It provides guidance and direction for the entire organization to adopt and implement any quality improvement program. Leadership in TQM is negatively related to role conflict (Teh et. al., 2009). It is also found in a research that a competent leader would be able to execute the important critical factors of TQM implementation more effectively (Das et. al., 2011, Idris and Ali, 2008; Idris et. al., 2003). Jitpaiboon and Rao (2007) further show that all TQM practices are positively related to internal and external performance and top management support has had the highest impact on performances. Sila and Ebrahimpour (2005) identify leadership and information and analysis as the two factors that act as the foundations on achieving favourable business results.

An appropriate style of leadership is considered an organizational capability because this style allows an organization to utilize its resources to achieve the desired end. This is consistent with the definition established by Amit and Schoemaker (1993), which defines capabilities as the capacities to organize resources to affect a preferred result through mixing intangible and tangible resources over time. Explicitly, leadership is the result of combination of tangible and intangible resources such as quality top leaders, knowledge and information to make decisions, and other organizational resources. Elaborating this, top managers are a form of tangible resources, yet their skills, knowledge and experience are intangibles, making leadership a capability as it involves the organizations' top managers with their skills, knowledge and experience.

Because leadership is an important capability, this dimension has been included in studies on critical success factor of TQM implementation. (Saraph, et. al., 1989; Black and Porter, 1996; Ahire and Golhar, 1996; Anderson, et. al., 1994; Porter and Parker, 1993; Powell, 1995; Grandzol and Gershon, 1998; Thiagarajan et. al., 2001; Yusof and Aspingwall, 1999; Arawati, 2000).

We believe that the transformational type of leadership is suitable for TQM organizations. Originated from the earlier works of Burn (1978), transformational leadership upholds four dimensions (1) idealized influence or charisma, (2) inspirational motivation, (3) individualized consideration, (4) intellectual stimulation. (Bass and Avolio, 1994). A set of practices shown by the transformational leaders to their followers are setting a vision, aligning followers to the vision through effective communication and motivating followers to achieve the vision (Bass and Avolio, 1994). Charismatic leaders make their follower feel secure and comfortable. They are masters of social skills, sensitive to their social environment and are able to adapt quickly to the new organizational climate.

2.2. Strategy and Objectives

There are numerous studies which place an emphasis on strategic implementation in TQM (Rahman and Siddiqui, 2006; Gotzamani et. al., 2006; Ju et. al., 2006; Karia and Asaari, 2006; Drew and Healy, 2006; Hafeez et. al., 2006; Singh and Smith, 2006;) Capabilities are developed systematically through repetition and quest of a particular strategy (Grant, 1991). Therefore, strategies and objectives are also a crucial source of organizational capability. Grant (1991) also argues that strategy should be pushed slightly higher than the current limit of the capability to ensure the perfection of those capabilities. Therefore, effective strategies and objectives are also considered an organizational capability. Leaders must set clear, measurable and achievable objectives so that they will set the right direction for the firm. Once the specific objectives have been set and agreed upon, resources and capabilities can be employed to attain those objectives (David, 1995).

The purpose of objectives are to provide direction, aid in evaluation ,create synergies, show priorities, focus coordination and provide a basis for effective planning, organizing, motivating and controlling activities (David, 1995). Therefore, objectives are fundamental for organizational accomplishment. Connecting to the objectives, being equipped with strategies is the mechanism to achieve long-term objectives.

The importance of strategies and objectives and their relation to organizational resources and firm performance have been recognized in the literature. Many researches indicate that companies which plan strategically generally outperform those which do not, in terms of sales growth, earnings' growth, deposit growth, return on assets, return on equity, return on sales, and return on total invested capital. Such benefits are even higher in more turbulent environments (Miller and Cardinal, 1994). Moreover, companies which plan for the longer term, as opposed to just undertaking short-term forecasting or annual planning, deliver higher returns to investors both relative to their industry and in absolute terms (Bracker and Pearson, 1986; Bracker et. al., 1988; Pearse et. al., 1987; Rhyne, 1986).

2.3. Best Practices

Leadership implements best practices with the belief that they are the organizational solutions (Sanwal, 2008; Turner et. al., 2009; Idris and Ali, 2008; Hussain et. al., 2001). In studying the best practice for organizational change, Hallencreutz and Turner (2011) suggest that the best

practice is not universally defined because “no consistent definitions of the best practice of organizational change are to be found in the literature”.

Best practices are ultimately those that give an organization the "capability to outperform its competitors" as well as to produce best "value to customers, employees, and shareholders" (Cortada, 1997, p. 79). Best practices can also be viewed as "me too" strategies and that organizations should try to come up with new practices that they can offer first to have a temporary advantage over their competitors, in building up a strong business platform, as well as revenue and profit streams. In the final analysis, the best practice is what gives a company the capability to out-perform its competitors, grow market and profits and provide compelling value to customers, employees, and shareholders (Cortada, 1997, p. 79).

Looking from that point of view, best practices are very much related to the effective ways of managing resources. In a resource-based strategy, capabilities are capacities to deploy resources, to affect a desired end (Amit & Schoemaker, 1993). Therefore, one type of capability is in the form of best practices. One credible practice of benchmarking will also improve the productivity level. The process of benchmarking would target key improvement areas within firms, identify and study best practices by industry leaders, and implement new processes and systems to enhance their own productivity and quality (Camp, 1989).

To become a world-class organization, companies must know what others are doing in the market. Therefore it is important for them to search for best practices and methods to manage their activities. One way to achieve best practices is through benchmarking. The basic tenet of benchmarking is that, for an organization, to improve its performances, it must be able to measure its current performance against that of others as well as against its own previous performance (McMann and Nanni, 1994). Benchmarking includes the process of implementing these measures, comparing own organization's performance with the 'best in class', searching the causes for the interval between one's organization and the best, and implementing changes to close the interval (Ammons, 1996, p.6). JIT, Total Productive Maintenance, and Quality Control Circles are among the best practices that corroborate to improve firms' performance.

2.4. Customer Focus

Customer focus is one of the main elements of TQM and performance improvement initiatives. Having said that, customer focus dimension has been included in many studies of TQM (Hoang et. al., 2006; Yang, 2006; Ahmed et. al., 2005; Lagrosen and Lagrosen, 2005; Lewis et. al., 2005; Miyagawa and Yoshida, 2010; Prajogo and McDermott, 2005; Prajogo, 2005; Seth and Tripathi, 2005; Sila and Ebrahimpour, 2005; Tari, 2005) According to Miyagawa and Yoshida (2010), the strategy to focus on customer satisfaction significantly affects quality performance issues such as reducing warranty costs and scrap. Siddiqui and Rahman (2007) suggest that customer orientation and top management support constitute the vital factors in achieving outcomes “like cost cutting on maintenance of applications, increased management control, improved quality of products and services, greater customer satisfaction, enhanced productivity, slashed time consumption on production, optimization of human resource use and flexibility in reaching out to customers”.

Idris (2000) emphasizes the importance of customer focus in his study of market orientation and TQM. Easton and Jarrell's (1998) study in turn, has come to a discovery that customer focus affects corporate performances. Arawati (2000) treats customer satisfaction as a mediating variable that affects company performance. In another study, using the data from a survey of 339 manufacturing companies, Choi and Eboch (1998) propose a mediating model linking TQM with customer satisfaction and plant performance. They conclude that TQM has a stronger impact on customer satisfaction than it does on plant performance. The main concern of most major improvement initiatives is therefore to improve customer satisfaction (Arawati, 2000). Khairul Anuar (2002) further reiterates the importance and focus on internal customer of an organization if a firm desires to improve performance. Choi and Eboch (1998) argue that from an institutional theory, companies tend to give in to customer demand.

MBNQA refers to this as customer focus and satisfaction (Bou-Llusar et. al., 2009). EQA gives 20% of the weight to the customer satisfaction section. Malaysia's quality model specifically mentions the criteria of satisfying customer and handling complaints. Other performance based models such as the Competitive fitness model includes the construct as customer orientation while Kanji's Model recognizes the importance of delighting the internal and external customers.

2.5. Employee Focus

Miyagawa and Yoshida (2010) conclude that the TQM strategy and employee involvement in Japanese-owned manufacturers in the US have a significant effect on external performance in the areas of increased productivity, market share, profit and competitiveness. Employee satisfaction precedes company achievement and therefore should be the aim of any improvement efforts (Yee, et. al., 2008). In a study, it is found that TQM practices which have a higher impact on external performance were strategic quality planning, supplier quality, employee involvement and training (Jitpaiboon and Rao, 2007). Yang (2006) has found that TQM practices including quality management, process management, employee empowerment and teamwork, customer satisfaction management, quality goal setting and measurement, supplier's cooperation and quality tools training, have positive effects on customer satisfaction and that the adoption of TQM principles is an effective means by which companies can gain competitive advantage. The implementation of the TQM practices also aids companies to improve their image, employee's satisfaction and quality awareness. To satisfy employees, managers need to know what factors constitute toward their satisfaction. It must be said that a company's human resource policies can well affect this factor. Human resource development is a very comprehensive program set to provide the best satisfying conditions for the employees (Jime'nez-Jime'nez and Marti'nez-Costa, 2009). Japanese companies are well recognized for the good treatment of their employees. In certain Japanese companies, a worker becomes loyal to the company in return for some benefits provided by the company such as lifetime employment. A TQM company usually spends a large amount of its annual budget for employees training and development, hence they become more satisfied with the job and their company.

Employees must commit to improvement initiatives, so that a company's program will achieve its targets. Job satisfaction is dynamic in nature, depending on individuals. Usually, an employee who is satisfied with his or her job will tend to increase his or her total satisfaction. One setback

of improvement efforts is that employee satisfaction is not the main concern of the improvement efforts. For example, a survey carried out by Lam (1995) finds that TQM does not directly affect employee satisfaction because the real objective of TQM is to improve customer satisfaction. In his survey, most respondents indicated that TQM programs did not make their work more interesting and important. They also felt that TQM gave them more responsibility but less autonomy.

Satisfied employees contribute better to their company. Ho (1998) suggests that the company should start the improvement efforts with the Japanese style 5S programs to maintain good working environment thus enhancing productivity of the workers. Quality control circles, which acknowledge the contribution of workers, could also be implemented so that quality and productivity could be improved. This practice will boost employees' morale and level of satisfaction. The element of employee focus is explicitly emphasized in most performance models with different labels and terms, such as people-based management, employee fulfillment, and human resource development.

The ability to focus on the employees, as argued previously, would depend on the HRM practices. A study by Delaney and Huselid (1996) links some measures of a firm's performance with progressive HRM practices. In the same area, Longnecker et. al., (1997) relates some HRM practices with productivity. Fitz-enz (1997) discovers a significant relationship between a variety of HRM practices such as communication, continuous improvement, and cross-functional employee cooperation with organizational effectiveness variables such as productivity, quality and sales. Pil and Macduffie (1996) find a positive relationship between organizational performance and the adoption of high employee involvement. Studying the relationship between implementing ISO standards and employees satisfaction, Elmulta and Khatawala (1997) conclude that the positive effects of implementation of the standard on employees improve employee's attitudes and job performance.

2.6. Community Focus

The society as a business's important stakeholder could affect the way a business is operated. Unsatisfied society would resort to different means that could decelerate the growth of a business. Nowadays, the society demands that businesses upgrade their etiquette and business conducts. Making profit alone is not sufficient to determine the success of a business. The pressure from the society has forced businesses to embark on proactive corporate environment so that the surrounding would be safe and harmonious to the society. Some portion of the profit should be used for the betterment of the society. The negative impact of neglecting issues related to the society could be damaging to a business in the long run.

Stainer et. al. (1999) explore the relationship of values, ethics and stakeholders. The patterns of behavior and practices of business while making decisions are analyzed and their research concludes that it is desirable to combine excellence and ethics. Berry and Rondinelli (1998) discuss a model for proactive corporate environment management and argue that both consumers and investors have started to recognize the relationship between business performance and environmental quality. Among the components of this new model is the public

demand for environmental protection, customer demand for clean processes and products and shareholders' rejection of environmental risks. In a related subject, Langerak et. al., (1998) explores the antecedents and consequences of green marketing. The external antecedents include consumer environmental sensitivity, competitive intensity and regulatory intensity. The researcher concludes that businesses that adapt green marketing are getting more market opportunities and improving their business performance.

MBNQA, PMQA and EFQM recognize the importance of a society to the business excellence, thus explicitly and implicitly use the term social impact, public responsibility and corporate responsibility as surrogates to societal stakeholders.

2.7. Productivity Focus

Managing productivity has become a strategic issue. Sustaining competitive advantage through people is becoming more important as many other sources of competitive advantage are more accessible to all producers (Cappelli and Singh, 1992; MacDuffie, 1995; Pfeffer, 1994; Snell et. al., 1996). Therefore, it is important to identify this source of capability from human resource and develop it for the enhancement of company performance.

Productivity is widely defined as the ratio between output and input. It is often regarded as a vital part of organizational performance (Hannula, 2002; Tangen, 2002) and as a prerequisite for the wealth and competitiveness of nations (Singh et. al., 2000; Sink, 1983). Tangen (2002) sees productivity improvement as an elimination of waste. This study suggests that management practices are an ambiguous driver of firm productivity and higher firm performance.

Managing productivity requires a new mode because of the changing requirements of business (Hussain et. al., 2001). Intangible assets such as knowledge are now more important than physical assets. Firms with the ability to manage resources effectively in an efficient manner will be able to enhance their productivity score and outperform their competitors.

Summarizing all these arguments, It is hypothesized that;

All TQM dimensions proposed in this study will lead to sustainable company performance.

3. SAMPLING AND METHODOLOGY

The study employed a large-sample cross sectional mail survey as a method of data collection. 400 questionnaires were sent to the CEO of companies listed in the SIRIM directory containing ISO 9000 certified companies. The questionnaires consist of three sections; company profile, TQM elements, and company performances. They are derived from many TQM related studies (Samson and Terziovski, 1999; Khairul Anuar, 2002; Choi and Eboch, 1998; Easton and Jarrell, 1998; Idris, 2000; Arawati, 2000). The instrument is reliable as shown by an acceptable Cronbach's Alpha in Table 1. For example, one of the questions concerns with whether 'employees could freely express opinions in the company' with the answer lying in 'strongly agree' to 'strongly disagree' on the 1 to 7 scale. For the company performance, 9 indicators

were used such as ‘company competitive position is getting stronger’ and ‘employee satisfaction has been increased’ with the same 1 to 7 answering scale. In terms of the response rate, only 97 responded, giving the response rate of almost 25%. The non-response bias was solved using a method called extrapolation. A sample of the early response group was taken, as a proxy of the response, while a sample of the late response served as a proxy of the non- response. If the result on studied variables shows significant difference, then a problem of non-response bias is an issue. The results are insignificant, indicating that the non-response bias is not present in the sample, except for the community focus.

Table 1: Reliability Measures

Factor	Measures	Cronbach’s Alpha
Leadership	5 items	0.935
Strategy/Objectives	4 items	0.952
Best practices	4 items	0.888
Productivity focus	4 items	0.779
Customer Focus	5 items	0.902
Community focus	4 items	0.913
Employee focus	4 items	0.834

From the sample, a bigger number of companies which is 64 (74%) are service-related. Although the services-related companies comprise only about one-third of the total ISO certified companies, the higher response rate from this category indicates their willingness to cooperate with external researchers.

In terms of the number of full-time employees, the means, medians and standard deviations are 2317, 418, and 5565 respectively. Small companies (less than 100 employees) represent 34% of the sample, while the medium sized ones (100 to 1000 employees) represent 38%, and large companies constitute the rest. Thus, the sample has almost an equal representation of companies of different sizes. The following Table 2 details the division.

Table 2: Company Size (Based on Employees Numbers)

Company size	Number of companies (in percentage)
Small (less than 100)	34
Medium (100-1000)	38
Large (more than 1000)	28

More than 60 % of the respondent are managers and those from higher positions. Mean of their tenure with their companies is 8.34 and 7 years as a median value with 6.79 as the standard deviation. The companies’ mean of years of operation is 25 years with the median value of 17 years and standard deviation of 25 years. The mean, median and standard deviation of number of full time employees are 2317, 418, and 5565 respectively.

3.1. TQM dimensions

There are 25 indicators to be analyzed for the TQM dimensions, with all adapted from TQM studies. Six factors shown in Table 3 explain about 74 percent of the variance in the stakeholder focus dimension. This is shown in Table 3.

As shown in Table 3, most items were loaded into their respective grouping. For example, Component 1 comprises of all leadership items. The only unexpected outcome of the analysis is that, the dilution of strategy and objectives factor as items that measure this factor are loaded in the productivity focus dimension. So in the following testing of the relationship with company performance, we will ignore this dimension. The reason for the disappearance could be that the strategy and objectives have been embedded in other dimensions with specific focus. For example, the item 'to review policy' that purports to measure the community factor has seemingly overlapped with strategy in it. In addition, it is also suggested by Kanji (1998) that strategic planning is embedded in the leadership factor, thus the stand-alone version is not necessary.

3.2. Company Performances

There are five indicators of a company's perceived performance: profitability, financial soundness, competitive position, growth rate, market share. Factor analysis is run to obtain the common underlying factors. The result shows that there is only one dominant factor that accounts for 74 percent of the variance. Thus the factor is renamed as sustainable company performance. The factor loading is shown in the following Table 3. Two reasons are offered for this. Firstly, all performance indicators are the results of perceptions of the respondents through observations and experiences of the respondents. The rationale of using this method is

Table 3: Results of Factor Analysis for TQM Dimensions

Items	Components		
	1	2	3
Inspire	.878		
Vision	.861		
Charisma	.878		
Recognize	.864		
Encourage	.831		
Database		.716	
Value Anaysis		.760	
Personal contact		.748	
Customer satisfaction Measurement		.830	
Handling complaints		.726	
Social Agenda			.823
Social Harmony			.672
Community Activities			.796
Review Policy			.802

Table 3: Results of Factor Analysis for TQM Dimensions (Continued)

Items	Components		
	4	5	6
Effective approach	.587		
Motivating workers	.599		
Teamworking	.519		
New tech/Automation	.577		
World class practices		.745	
Benchmark		.564	
Visits		.654	
Recognition		.600	
Working environments			.605
Mechanism to express			.785
Employee satisfaction survey			.607
Reward by merits			.612

that it will be easier and it will be less pressurising for the managers to rate their company performance- the method does not necessitate much effort for one to search for the company performance data, thus this will improve the rate of response. Secondly, even the measure provided in the form of company data and financial statement will still be subjective to arguments. For example, for the measurement on financial performance, the researcher could measure the return on investment (ROI), the return on equity (ROE) and many others. Perceptions are less objective than data and figures, thus, respondents might perceive some measures as similar, leading to the only factor obtained i.e. sustainable company performance.

3.3. TQM and Company Performance

Multiple regressions are utilized to test the influence of each factor on the company performance. The standard multiple regression procedure is used. All factors are regressed together with the company performance.

Table 4: Results of Regression Analysis of TQM Dimensions and Company Performance

Factor	Standardized Coefficients	t	Sig.
Leadership	0.213	3.212	.000
Best Practices	0.206	3.116	.000
Customer Focus	0.456	6.875	.000
Community focus	0.355	5.356	.000
Employee focus	0.293	4.426	.000
Productivity focus	0.312	4.708	.000

Notes: R Square = .605; Adjusted R Square = .578

The regression analysis in Table 4 shows a significant result with R2 being 0.605. This indicates that the six dimensions of TQM could explain 60 percent of the variation in the company performance. Thus, all hypotheses are supported. Within the TQM dimension, customer focus has the highest correlation with company performance ($b = 0.456$), while best practices has the lowest b score ($r = 0.206$). The significant relationships among the TQM dimensions and company performance have been expected.

3.4. Further Analysis

Manufacturing and service may differ in terms of their focus. To answer the question, this study utilizes a t-test on the average score of TQM dimensions and found that there is no significant difference on the capability. This is shown in Table 5. However, the company size moderates the relationship in best practices, community focus and productivity focus as the t-test show the score of large companies is significantly higher than the small companies, as shown in Table 6.

Table 5: Average Score of TQM Factors between Manufacturing or services

Variables	Manufacturing companies	Services Companies
Leadership	6.88	7.08
Strategy/Objectives	7.08	7.06
Best practices	6.70	6.40
Customer focus	6.85	7.20
Employee Focus	6.52	6.70
Community Focus	6.23	6.71
Productivity focus	6.88	6.95

Table 6: Average Score of TQM Factors Based on Company Size

Variables	Large companies	Small Companies	t-value
Leadership	7.11	7.02	0.21
Strategy/Objectives	7.48	6.78	1.76
Best Practices	7.26	6.72	2.58***
Customer focus	7.45	6.90	1.34
Employee Focus	7.08	6.28	1.77
Community Focus	7.60	6.01	3.78***
Productivity Focus	7.68	6.48	3.43***

4. RESULTS AND DISCUSSION

The significance of the studied TQM factors is supported in this study. The importance of leadership, best practices, and focus on stakeholder and productivity (Arawati, 2000; Idris, 2000; Khairul Anuar, 2002; Choi and Eboch, 1998) are supported. Almost all performance-based models have included these dimensions in their models.

Transformational style of leadership would be important when initiating any improvement to work. This style of leadership emphasizes having leaders who could inspire and nurture individuals' competencies in line of the TQM principle (Bass and Avolio, 1994, Idris and Ali, 2008).

Stakeholder focus is the capability to balance the needs of important stakeholders. Customer focus is defined as a degree of effort exerted by the company to build a long-term relationship with customers. With that principle, the company's customer department staffs often makes personal contacts with customers to enhance personal relationship. Through this, a company can resolve all customer complaints quickly and effectively. In addition, a company should conduct a customer value analysis to identify which customers contribute the most to its business. To assess the level of satisfaction among the customers, a company is also expected to conduct regular customer satisfaction measurement.

In this study, it is also found that employee focus is positively related to company performance. This supports the importance of having this employee focus as suggested by numerous studies (Lam, 1995; Elmulti and Khatawala, 1997; Larrache, 2000; Kanji, 1998; Delaney and Huselid, 1996; Longnecker et. al., 1997; Fttz-enz, 1997; Pil and Macduffie, 1996). The result also supports the inclusion of this dimension in some other performance-based models such as the EFQM, MBNQA, or PMQA. In this study, employee focus is defined as a degree of effort to enhance employee satisfaction. To construct this focus' capability, the working environment should be comfortable and safe for the employees so that they could perform their best. The company should also provide a mechanism for the employees to express their feelings should any problems arise. Next, the company should regularly conduct an employee satisfaction survey to check on the level of their satisfaction and design programs to motivate them. Employees must be rewarded by merits of performance and they should also know their level of achievement. Therefore, their achievement must be quantified with rewards and recognitions.

Pertaining to community focus dimension, it is also related significantly to company performance, which is also consistent with relevant studies (Berry and Rondinelli, 1998; Grandzol and Gershon, 1998; Stainer et. al., 1999). Thus, this study is consistent with performance-based models that include this factor such as the EFQM, MBNQA, and Malaysia's PMQA model. Looking at the operational definition of community focus, which is the capability of an organization to satisfy the community, firstly, the company must have a stated agenda related to fulfilling its social responsibilities. This can be done by promoting social harmony and strengthening race relations. For this, that organization must be actively involved in the community activities and must be seen as a partner in community development. In addition, from time to time, the company must regularly review its policy and its impacts on the local community. Thus, the ability to satisfy the community will be developed gradually by emphasizing these factors. The results of this study suggest that leadership with best practices, with the capability to focus on productivity, customer, employees and community will lead to a greater company performance.

5. IMPLICATIONS, LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

The instruments have been derived from the relevant literatures. They were tested and found to be reliable and valid. Other studies may use other indicators to measure these dimensions. Organizational capabilities should be unique, being varied among different companies. Future attempts should be made to identify firms' specific characteristics and practices that create the capabilities. Case studies of best companies can be done from the results of this study. Furthermore, organizational capability referred here is in generalized form. To be specific, the companies still need to learn the details on how to capture the specific know how. In terms of employee focus, for example, recognitions to high achievers could be done in different ways; in either financial or non-financial form. The firm must learn how to recognize their employees from other companies as well. In additions, it is mentioned in the resource-based view of organizational capability that those resources or capability will create sustainable competitive advantage when it has the characteristics of being valuable, rare, inimitable, and not substitutable. This study recognizes the capability from performance-based literature. The extent to which each dimension of capability is rare or inimitable should be the focus of future study.

This study measures company performance using self-reported manager's perceptions. It is an index obtained from the result of factor analysis. Among items measured are profitability, financial standing, productivity level, and market share. The use of financial data offers more objective measures such as return on investment, return on equity and others, which might give a more concrete evidence of the company performance. Here, the perceived performance is used instead, for the convenience of the managers. Previous research studies have reported obstacles, as managers are not willing to give information for confidential reasons and to protect the company's information from leaking to its competitors.

This study uses a cross-sectional survey method to gather the sample. This method is not sensitive to the changes of time, but other longitudinal studies are needed to confirm the results. Furthermore, as this study uses a sample of ISO certified companies as our respondents, generalizations are only limited to those companies. We must bear in mind that many of these companies are under the SME category, where their ISO certification has enabled them only good reputation, which might not necessarily be attributable to characteristics of good manufacturer or service provider. Future studies may use samples from other categories of companies such as those listed in the KLSE directory.

6. CONCLUSION

This paper is in support of the fact that TQM dimensions bring some repercussions on a company's performance. The relationship between the elements of leadership, best practices, productivity, customer, employee and community focus and company performances is significantly proven. This study employs the resource-based view and TQM related excellence model criteria that are used as a theoretical framework. An instrument consisting of 26 items, developed to measure the capability to focus on the group, has been found to be reliable. Using exploratory factor analysis, it is found that the items clearly fall into six factors. Another factor

analysis on the perceptual measure, which consists of 5 items of company performance, has resulted in only one factor. The multiple regression analysis is also utilized to test the relationship between the dependent factor, company performance and the independent factors, the TQM dimensions. The percentage of variance explained by the three factors is 71 percent. Community focus, community and employee focus significantly influence company performance with beta co-efficients of 0.46, 0.36, and 0.29 respectively. Other dimensions also have significant positive impacts. The relationship is moderated by the company size, with large companies observed to have a higher capability in three dimensions.

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