

## SUPERVISOR'S CONFIRMATION

I/ We, hereby declared that I/We had read through this thesis and in my/our opinion that this thesis is adequate in terms of scope and quality which fulfill the requirements for the award of Bachelor of Technology Management (Innovation Technology)

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THE EFFECT OF TOTAL QUALITY MANAGEMENT PRACTICES TOWARDS  
ENHANCING THE ORGANIZATIONAL PERFORMANCE: A STUDY OF  
MUDA PAPER CONVERTING (MPC) SDN BHD

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The thesis is submitted in partial fulfillment of the requirements for the award of  
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Faculty of Technology Management & Technopreneurship  
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JUNE 2016

## DECLARATION

“I hereby declare that I have read this thesis through this project report and in my opinion this thesis is sufficient in terms of scope and quality in fulfilment of the requirement for the award of the degree of Bachelor of Technology Management (Innovation Technology)

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Date: June 2016

## DECLARATION

“I admit that this report is the result of my own, except certain explanations and passages where every of it is cited with sources clearly.”

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## **DEDICATION**

I would like to dedicate the appreciation to my family members who supported me from spiritually and financially, beloved supervisor and panel who guided me throughout the research, housemates and course mates that assisted me through the journey of research.

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All praise belongs to God for giving me wisdom, strength, support and knowledge in exploring things and also gave me opportunities to fulfil my Final Year Project which is the title of a study on TQM towards organizational performance: a study at Muda Paper Converting Sdn. Bhd. in Tasek, Penang. This final year project report was prepared for Faculty of Technology Management and Technopreneurship, Universiti Teknikal Malaysia Melaka (UTeM), basically for student in final year to complete the undergraduate program that leads to the degree of Bachelor of Technology Management and Innovation.

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## ABSTRACT

Total quality management (TQM) is a method that could be practiced by organization's management and employees to ensure continuous improvement in production of goods and services. However, organizations could successfully implement TQM through encourage managers and employees to have total involvement and collaboration across functional and departments, with support from customers and suppliers to identify areas for improvement. This study is about the total quality management elements that contributing towards organizational performance. The focus area of the research is Muda Paper Converting Sdn Bhd in Tasek, Penang. First, the researcher identified TQM elements such as top management commitment, customers' focus and satisfaction, employees management and supplier quality management practiced at Muda Paper Converting Shd Bhd. Second, investigate the relationship between TQM practices and the organizational performance. Thirdly, identify the most significant TQM practices that contributing towards enhancing organizational performance. Thus, the findings of this research will assist to improve and enhance the performance at Muda Paper Converting Sdn Bhd. The methods used in this research is quantitative through distribution of questionnaires to the 100 employees of Muda Paper Converting Sdn Bhd. and the data were analysed using correlation analysis, and multiple regression method. Based on the result, there is a positive relationship between independent variance and dependent variable. However, multiple linear analyses shows that only top management commitment, employee management and supplier quality management have significant relationship with dependent variable. Thus it will give the big impact of organizational performance towards the Muda Paper Converting Sdn Bhd.

Keywords: Total Quality Management, Organizational Performance, Top management commitment, Customers' focus and satisfaction, employee management, supplier quality management.

## ABSTRAK

*Pengurusan kualiti menyeluruh (TQM) adalah satu kaedah pengurusan dan pekerja boleh terlibat dalam peningkatan berterusan pengeluaran barangan dan perkhidmatan. Kajian ini adalah mengenai pengurusan kualiti menyeluruh terhadap prestasi organisasi. Kawasan tumpuan kajian adalah di Muda Paper Converting Sdn Bhd di Tasek, Pulau Pinang. Pertama, penyelidik mentakrifkan elemen TQM seperti komitmen pengurusan atasan, tumpuan kepada pelanggan dan kepuasan, pengurusan pekerja dan pembekal pengurusan kualiti diperlukan di Muda Paper Converting Sdn Bhd. Kedua, mengkaji hubungan antara amalan TQM dan prestasi organisasi. Ketiga, mengenal pasti amalan TQM yang paling ketara yang menyumbang ke arah meningkatkan prestasi organisasi. Oleh itu, dapatan kajian ini akan memberi kesan dengan memperbaiki dan meningkatkan prestasi dalam Muda Paper Converting Sdn Bhd. Kaedah yang digunakan penyelidik dalam kajian ini adalah kajian kes dengan mengedarkan soal selidik kepada pihak pekerja yang berada di Muda Paper Converting Sdn Bhd. Soal selidik adalah diedarkan kepada 100 responden dan data yang telah dianalisis dengan menggunakan analisis korelasi, dan regresi linear berganda berdasarkan keputusan itu, terdapat hubungan yang positif antara komitmen pengurusan atasan, tumpuan kepada pelanggan dan kepuasan, pengurusan pekerja, pembekal pengurusan kualiti dan Organisasi dengan memperbaiki dan meningkatkan prestasi (pembolehubah bersandar). Semua pembolehubah bebas mempunyai satu kepada satu hubungan dengan pembolehubah bersandar. Walau bagaimanapun, analisis linear berganda menunjukkan bahawa hanya komitmen pengurusan atasan, pengurusan pekerja, pembekal pengurusan kualiti sahaja yang mempunyai hubungan yang signifikan dengan pembolehubah bersandar. Oleh itu, ia akan memberi kesan yang besar ke arah untuk peningkatan prestasi Muda Paper Converting Sdn Bhd.*

*Kata kunci: Pengurusan Kualiti Menyeluruh, Pencapaian Organisasi, komitmen pengurusan atasan, tumpuan kepada pelanggan dan kepuasan, pengurusan pekerja, pembekal pengurusan kualiti.*



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**LIST OF ABBREVIATION AND SYMBOL**

<b>ABBREVIATION &amp; SYMBOL</b>	<b>MEANING</b>
ANOVA	Analysis of Variance
TQM	Total Quality Management
$H_0$	Null Hypothesis
$H_1$	Alternative Hypothesis
SPSS	Statistical Package for the Social Sciences
%	Percentage
>	Greater than sign
<	Less than sign



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## CHAPTER 1

### INTRODUCTION

#### 1.0 Introduction

This chapter introduces the research outline of the study. It demonstrates the background, problem statement, research questions, research objectives, scope, limitation of the study, significance of the study and summary.

#### 1.1 Background of The Study

Due to the globalization, there are various types of organizations that have been established to serve the society needs. However, the existing business environment requires that an organization remains sustainable in its operations and produces products that continuously meet customer needs and expectations (Muma *et al.*, 2014). To support the business organizations in achieving the sustainable competitive edge, they need to effectively compete in the market and need to adopt strategies that will make them attain a competitive edge against their competitors. Amuthakkannan (2012) stated that the increasing demand on quality and productivity of products and services has changed the industrial dynamics in many of its core technology areas. Quality improvement has become a dynamic force throughout the world. As we know that, no more enterprise can persist in today's competitive environment with a "rework until its right" philosophy. For current market,

organization must come up with the useful competitive strategies and produce goods and services that continuously meet and exceed demand and beyond expectations. According to Lepmets *et al.*, (2012), continuous improvement of service quality can enhanced customers satisfaction, increased efficiency and maximization of business value of the service within the organization performance.

One of the management approaches that could be used to achieve continuous quality improvement is Total Quality Management (TQM). Ang *et al.*, (2011) claims that could lead to achieve higher performance and productivity in manufacturing related organization. Although the methods of managing quality are numerous, it can be said that TQM is a critical factor that contribute towards the success of the manufacturing organizations (Massoud and Syed, 2013). However, this present a set of procedures, tools and training methods to assist the company managers and the fastest way to attract customers in today's business world. If TQM is successfully implemented, it will become as competitive advantage (Cemal, 2012). Moreover, this is a good performance of the organization to widespread and aim to reduce organization costs and focuses on satisfying the customer as well as increasing profitability and benefits of many firms. In 2011, role of service sector in Malaysian economic is very important which largest share of GDP and faster growth rate. Therefore, it sector contribution about 58.6 per cent of the GDP and growth rate of 6.8 per cent (Malaysian Investment Development Authority MIDA, Malaysian investment performance report 2011).

## 1.2 Problem Statement

The character of TQM generally identified as a significant determinant in the success of both manufacturing and service organisations performance in today's competitive environment. TQM is a foundation of the innovation (Singh and Smith, 2004), competitive advantage (Douglas and Judge, 2001) and a new organizational culture (Irani *et al.*, 2004). In adopting the TQM, most organization has been troubled due to the limited of knowledge and lack of contribution from the employees. In addition, organization today only is paying lip service to TQM implementation. For instance, some of the organisations implement the TQM like a program which visualise and could be functioning by itself and others only used some principles to approach. Subsequently, organizations face with the breakdown to grasp the expected target. Nowadays, organization handling with some of the problem like material cannot supply on time by supplier, machine break down during the operation, operator attitude not pay attention and material quality problem would cause the production line to stop. Any decline in customer satisfaction due to poor service quality will impact its business performance and profitability. Hence, in order to avoid this situation, organization needs to take great responsibility in implementing TQM.

TQM is crucial and needs contribution of all members in the organization to improve processes, product or services to identify changes in business environment and respond proactively through continuous improvement in overall business operations. Fassoula (2006) claims that, manufacturing firms seek to adopt of operations management practices and it helps to identify changes in environment and respond proactively through continuous improvement. There have some studies on the positive relationship between TQM and organizational performance (Joiner, 2007) whiles some finding out the negative relationships (Yeung & Chan, 1998). However, in this study, it can be concluded that were significant differences in the relationship between TQM and organizational performance depend on industry sectors.

Furthermore, aim of this study is to examine the effect of TQM elements in enhancing the organizational performance in Muda Paper Converting Sdn. Bhd.

### **1.3 Research Questions**

In this research, the focus is to determine the relationship between the TQM practices and how it influences the organizational performance. So this research explored the following key questions:

- 1.3.1 How is the effect of TQM elements (top management commitment, customer focus and satisfaction, employee management, and supplier quality management) towards enhancing the organizational performance?
- 1.3.2 What are the relationship between TQM practices and the organizational performance?
- 1.3.3 Which of the TQM elements (top management commitment, customer focus and satisfaction, employee management, and supplier quality management) is the most significant that contributing towards enhancing the organizational performance?

## **1.4 Research Objectives**

From the research questions, it can be used as research objectives so that will not exceed the scope of the research. In addition, it is vital to complete for this research by explain the main objectives as below:

- 1.4.1 To determine into what extent the TQM elements (top management commitment, customer focus and satisfaction, employee management, and supplier quality management) affect towards enhancing the organizational performance.
- 1.4.2 To investigate the relationship between TQM practices and the organizational performance.
- 1.4.3 To identify the most significant TQM element(s) (top management commitment, customer focus and satisfaction, employee management, and supplier quality management) that contributing towards enhancing organizational performance.

## **1.5 Scope**

This study is to analyse the element of TQM practices and their effect on enhancing the organizational performance. The research is aimed for the several department workers in the organization and it will influence the accomplishment in the organization. This study conducted at Muda Paper Converting Sdn. Bhd. in Tasek, Penang. These industries chosen for this research because manufacturing paper packaging industry are one of the world's largest manufacturers of papers industry

for the domestic and export market. Meanwhile, those are more suitable to examined the customers' requirement and enhance the organizational performance. Therefore, this study apply four elements in Total Quality Management (TQM) which are top management commitment, customer focus and satisfaction, employee management, and supplier quality management to assess the extent of TQM has been implemented at the organization and its effect towards the overall organizational performance.

### **1.6 Limitation of the Study**

There are some limitations arise in this research study. First, this research is to investigate the effect of TQM practices enhancing organizational performance of paper packaging manufacturing industry. Second, the limitation is lack of time to do the report. Researcher is only given one year to complete on this research. Therefore, the more of the given actually can help in the creation of the reasonable end result and stress level have been reduced for researchers to complete the research. Lastly, researcher will assume all respondent are answering with honestly without influence by the other respondent.

### **1.7 Significance of the Study**

TQM practices is a stimulating strategy where a firm in a position to be competitive globally. Therefore, it is important for the manufacturer paper packaging company and must practice the entire necessary TQM element.

This study will focus on TQM literature to satisfy the need for an analytical study that examines the elements of TQM which related to organizational

performance. Therefore, these researches direct recognising the relationship between elements of TQM and organizational performance for the paper packaging manufacturing industries in Tasek, Penang. Through this study, this industry can eliminate the potential problems and continuously improve quality related to enhance the organizational performance. Meanwhile, organization can smooth their production and increase the quality of products to meet the customer needs. This will in turn increase the knowledge regarding about TQM practices and its adoption in the manufacturing paper packaging industry. This research was hoped to give some deeper study and understanding to the managers which can apply TQM practices in the manufacturing paper packaging industry. Therefore by having this study, success give the direction to managers can obtain the effective view and idea towards producing the higher grade of paper packaging emphasis on the TQM practices and improving the organizational performance.

## **1.8 Summary**

In conclusion, this chapter gives an overview about the research background towards the effectiveness of TQM and emphasize the problem statements which lack of the effective management in organization that affects the performance. Besides that, this chapter also discusses the research questions and research objectives. The hypotheses help to understand about the effect on implementation of the Total Quality Management (TQM) to enhance the organizational performance in the selected paper packaging companies in Tasek, Penang. The next chapter discuss about the literature review, theoretical framework and elaborate more on the independent and dependent variables of the research.