

**TOTAL QUALITY MANAGEMENT PRACTICES AND OPERATIONAL  
PERFORMANCE OF COMMERCIAL BANKS IN KENYA**

**KATHAARA CAROLINE KANORIO**

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## DECLARATION

This research project is my original work and to the best of my knowledge has not been presented for any degree award in any other university.

Signature: ... ..... Date: .....

Kathaara Caroline Kanorio

D61/64208/2011

This research project has been submitted for examination with our approval as University Supervisors.

Mr. E. O. Akelo

Signature: ..... Date: .....

## **DEDICATION**

To my family and friends who have always believed in me.

## **ACKNOWLEDGEMENTS**

I wish to thank God Almighty for bringing me this far and my family for their unwavering support as well as my supervisors Mr. E. O. Akelo. I would also like to thank my classmates for their moral support.

## ABSTRACT

The purpose of this project was to examine the total quality management practices and operational performance of commercial banks in Kenya. The banking service sector in the entire world is getting competitive every day due to the changes in technology and quality issues. In order to be successful total quality management (TQM) practices ought to be the integral part of any commercial banking organization's strategic management. The Kenyan government liberalized the financial sector through reforms that bestowed banking laws that encourage the entry of private banks into the financial system in order to stimulate competition with the public banks which significantly promoted the development of the banking sector. A census of all the 43 commercial banks was done for this study. The study relied on data collected through a structured questionnaire to meet the objectives of the study using five point Likert scale. The questionnaire questions focused on the total quality management practices implementation and operational performance of the Kenya commercial banks. The questions were both open ended and closed ended. The process of data analysis involved data clean up and explanation and responses in the questionnaires were tabulated coded and analyzed using Statistical Package for Social Science (SPSS) version 20.0. The results were represented in form of tables, pie charts and bar graphs. The study was significant as it will provide the management of sampled commercial banks and the rest of the banking sector, information that they can leverage on to improve on their implementation of total quality management. It will also add to the knowledge required to assist policy makers and regulatory bodies such as Central Bank of Kenya to make decisions that will change the way commercial banks' operations are carried out in Kenya in terms of quality service delivery. Total Quality Management is expected to reduce total cost and improve service delivery to the end customers at the same time. The reasoning in existing literature is however seldom underpinned by more rigorous empirical material and becomes therefore conceptual and superficial. In this project the perspective of all responding commercial banks was taken into consideration to concretize the implementation of Total Quality Management in service delivery. Lack of empirical data on TQM implementation in commercial banking sector gives a good ground for more research in this area. The researcher strived to find out implementations of Total Quality Management (TQM) practices and operational performance among commercial banks in Kenya. The study was guided by the following general objective: To determine the total quality management practices implementation and operational performance in commercial banking sector in Kenya.

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## ACRONYMS AND ABBREVIATIONS

<b>CBK</b>	Central Bank of Kenya
<b>KBA</b>	Kenya Bankers Association
<b>PwC</b>	Pricewaterhouse Coopers
<b>SPSS</b>	Statistical Package for Social Sciences
<b>TQM</b>	Total Quality Management

## **DEFINITION OF OPERATION TERMS**

**Continuous Improvement:** refers 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

**Quality:** is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.

**Total Quality Management (TQM):** a management philosophy under which an organization operates, which seeks to improve quality and increase customer satisfaction.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background to the Study**

Total quality management has now become an important aspect of management due to increased competition among companies and quality issues associated with company operations; the survival of a business mainly depends upon the quality associated with the product. However, competition has become more challenging today than ever before, while customer expectations of service quality are higher than ever. To deliver superior quality of service to the customers, organizations are re-engineering their systems, operations, culture and adopting strategies in order to be customer focused. Quality has emerged to be the key component and critical success factor in most manufacturing as well as service organizations.

#### **1.1.1 Total Quality Management Practices**

Total Quality Management, TQM, is a method by which management and employees become involved in the continuous improvement of the production of goods and services. It is a combination of quality and management tools aimed at increasing business and reducing losses due to wasteful practices (Hashmi, 2010). In fact Total Quality is a description of the culture, attitude and employee involvement to provide customers with products and services that satisfy their needs. The culture requires quality in all aspects of the company's operations, with processes being done right the first time and defects and waste eradicated from operations (Peters, 1994). TQM philosophy begins at the top, from the board of directors to the line employees.

TQM is an ideology which is focused on the satisfaction of customer's need. TQM require organisations to develop a customer focused operational processes and at the same time committing the resources that position customers and meeting their expectation profitably. This implies an approach of changing the corporate culture of an organisation to be customer centric. TQM requires effective change in organizational culture which is enhanced by the deep involvement/commitment of management to the organisation's strategy of continuous improvement, open communication and cooperation

throughout the organisation; broad employee interest, participation and contribution in the process of quality management. Leaders in a TQM system view the firm as a system; support employee development; establish a multipoint communication among the employees, managers, and customers; and use information efficiently and effectively. In addition, leaders encourage employee participation in decision-making and empower the employees.

TQM requires effective knowledge management so as to ensure that employees obtain timely reliable, consistent, accurate, and necessary data and information as they need to do their job effectively and efficiently in the firm. TQM is concerned with the continuous improvement in all the process of design and operation, from the levels of planning and decision making to the execution of work by the front line staff. The focus on continuous improvement leads to the formation of formidable team whose membership is determined by their work on the detailed knowledge of the process, and their ability to take improvement action. TQM also implies reducing and streamlining the supplier base to facilitate managing supplier relationships, developing strategic alliances with suppliers, working with suppliers to ensure that customer expectations are met

### **1.1.2 Operational Performance**

Operational Performance can be defined as the process of quantifying the efficiency and effectiveness of action. Effectiveness refers to the extent to which customer requirements are met, while efficiency is a measure to how economically to firms' resources are utilized when providing customer satisfaction. Effective implementation of TQM will increase customer satisfaction with the service offerings, ensures that organisations change how they perform activities so as to eliminate inefficiency, improve customer satisfaction and achieve the best practice (Ozaki, 2003). According to Sila, (2007) TQM helps in improving the quality of products and also reduces the scrap, rework and the need for buffer stock by establishing a stable production process. He argued that TQM will reduce the cost of production and time of production. TQM enhance employees' training, information system management, relationship with suppliers (Khanna, Laroia, & Sharma, 2010).

The performance criteria include: quality leadership, human resource development, quality strategy, information resources, quality assurance in process and product, people satisfaction, customer satisfaction, social and environmental impact and, the results. Most of the previous studies report that overall TQM practices have positively been related to operation performance, quality performance, employee satisfaction/ performance, innovation performance, customer satisfaction/results, competitive advantage, market share, financial performance, and aggregate firm performance. The success of TQM will result in improved employee involvement, improved communication, increased productivity, improved quality, improved customer satisfaction, reduced costs of poor quality and improved competitive advantage (Arumugam & Mojtahedzadeh, 2011). Kaynak (2003) suggested that the effectiveness of TQM in an organisation should be measured by the degree of integration with their supplier bases because supplier quality management is a critical component of TQM. Operational effectiveness is then a function of how well the various units of an organisation carry out their functions with quality.

### **1.1.3 Total Quality Management Practices and Operational Performance**

The effective implementation of TQM practices will increase customer satisfaction with the service offerings (Omachonu & Ross, 1994). Quality enhances customer loyalty through satisfaction; this in turn can generate repeat business and lead to the attraction of new customers through positive word of mouth. The word of mouth communication will help in cost reduction. The improvement in quality will result in increased market share and profitability. Total quality management is a management philosophy which emphasises the devolution of authority to the front line staff. It ensures the participation of everyone in the decision making process through activities such as quality cycles and team work.

The implementation of TQM ensures that every worker in the organisation does his work with quality the first time, thus improving the efficiency of operation and avoiding some cost associated with waste. This in turn will offer more value to customers in terms of price and service quality, thus making them satisfied. Implementation of TQM further ensures that organisations change how they perform activities so as to eliminate

inefficiency, improve customer satisfaction and achieve the best practice (Porter, 1996). According to Sila (2007), TQM helps in improving the quality of products and also reduces and establishes a stable production process. Continuous improvement which is a feature of TQM is said to reduce the product cycle time thus improving performance (Huang & Lin, 2002). Many other TQM practices such as training, information system management, relationship with suppliers etc have a positive impact on operational performance. The efficient management handling of these practices will improve efficiency and no doubt affect the profitability of the firm

According to Sila (2007), TQM can minimize the total cost of production through sole sourcing. The cost in this case is reduced by limiting the number of suppliers used by the firm and providing them with necessary training and technology. The efficient functioning of an operation will then depend on how well the suppliers meet up with the expectations of the organisation. This is why the TQM principle emphasizes the totality of quality in all facets which includes the suppliers. The total quality approach creates an integrated method of analyzing operation by focusing the processes of production on customer satisfaction. Thus, it requires that quality be built into all the processes so as to be efficient in the overall operation (Andrle, 1994).

#### **1.1.4 Overview of Commercial Banks in Kenya**

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The Central Bank of Kenya, which falls under the Ministry of Finance, is responsible for formulating and implementing monetary policies and fostering the liquidity, solvency and proper functioning of the financial system (PwC, 2011).

Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability service and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region, inclusion of quality processes, automation of a



large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products (KBA, 2012). However, Kenyan financial institutions like many others across the globe are being faced by some challenges.

Some of the challenges include; decline in the volume of new customers, globalization, fraud, rapidly changing customer needs, technological advances such as mobile money transfer, and competition from microfinance institutions (Allan, 2006). These challenges have forced many executives to implement total quality management as a management tool to reduce costs since it is centered on quality, participation of all its members and aiming at continuous quality improvement.

## **1.2 Problem Statement**

Over the years the banking sector have consistently been characterised by persistent operational inefficiency and poor customer problems of poor services and in order to address the problems of inefficiency in service delivery these organizations are fast adopting TQM in order to make them effective in meeting public demands (Manivannan & Premila 2011). Therefore many banks quality programs are still in their infancy having in the past operated in an environment where there was limited competition and customer satisfaction was not a cardinal business objective. However, many banks are frequently unclear in articulating specific objectives in implementing quality programs. Additionally, whatever objectives may be in place, these tend to evolve over time and focus on different goals and objectives. Furthermore some banks are inadequately equipped with precise outcome metrics to identify and document the benefits of quality programs

According to Deming (1986), major determinant of performance in competitive environment is quality. Feng et al. (2006) argued that in today's concurrent market place, firms must focus on improving quality and innovativeness. Lagrosen & Lagrosen (2003) found that Quality management implementation leads to business performance. In the same way, Huarng and Chen (2002) also reported an impact of quality management

systems on business performance. Brah et al. (2000) in their studies found positive relationship between quality management systems implementation and business performance. Kaynak (2003) revealed that quality management system is relevant to the indicators of organization performance

A number of studies have been undertaken in total quality management in organizations. In their study Hassan, Mukhtar, Qureshi and Sharif (2012) examined the association between quality management practices and performance in Pakistan's manufacturing industry. The study established that quality management systems practices positively impact the performance. Irfan, Ijaz, Kee and Awan (2012) in their study on improving operational performance of public hospital in Pakistan, established that selected Quality management systems practices have a significant positive impact on operational performance.

Dawn, (2011) investigated the application of TQM and found out that despite the fact that quality management has been addressed within a firm, Total Quality Management and its underlying assumptions could also be applicable to strategy management. However the study shows application of TQM in a telecommunication set up, results of which may not be applicable in banking organization. Gayah, (2012) in his study tries to show how human resource planning practices are affected by TQM and what needs to be improved for implementing TQM in any firm, but his study did not focus on operational performance. Mwangi, (2013) in his study found that stakeholders including non-governmental organizations continue to focus their attention on education but he does not mention what other areas are for focused on for performance improvement. Harari (1997) in empirical study of the influence of quality systems concludes that only about one in three quality management systems programs in public and corporate institutions achieve significant improvements in quality and performance.

Thus this study seeks to fill this gap by establishing the relationship between total quality management practices and operational performance of commercial banks in Kenya.

The study will attempt to answer the following research questions: to what extent have commercial banks in Kenya implemented total quality management practices? What is the relationship between total quality management practices implementation and operational performance in Kenya Commercial Banks.

### **1.3 Research Objectives**

This research project focused on the following objectives:

- i. To determine the extent of implementation of total quality management practices in the Kenya Commercial Banks.
- ii. To establish the relationship between total quality management practices implementation and operational performance in Kenya Commercial Banks.

### **1.4 Value of the study**

In practice the study will be significant to individual commercial banks as they will be able to establish and appreciate the effects of adopting and implementing total quality management systems in their organizations. They will also be able to take full advantage of the quality management systems effects to enhance service delivery in their respective banks. The study will also facilitate other financial institutions to know and appreciate the benefits of quality management systems in enhancing customer service delivery in their respective banks and in enhancing their competitiveness in the market. The study will also benefit the regulatory authorities and the government as they will be able to establish the benefits of the implementation of total quality management system in banking institutions and facilitate the implementation of the same through effective and relevant policies and regulations

In theory the study will provide the background information to research organizations and scholars who will want to carry out further research in this area. This study will facilitate individual Researchers to identify gaps in the current research and carry out research in those areas.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.0 Introduction**

In this chapter, literature, which is related to and consistent with the objectives of the study, is reviewed. Important theoretical and practical problems were brought out; relevant literature on the aspects pertaining to the relationship between total quality management practices implementation and operational performance in Kenya Commercial Banks are discussed.

### **2.1 Theoretical Foundation**

The theory of quality management has been developed from three different areas: First, Contributions from quality leaders (Deming, 1986; Ishikawa, 1985; Juran, 1992), Second, formal quality award models (Malcolm Baldrige National Quality Award-MBNQA; European Quality Award - EQA; The Deming Prize; Kanji Business Excellence Model) and third, measurement studies (Rahman, 2001; Sila, 2005; Prajogo, 2005; Brah and Lim, 2006;; Ya'acob, 2008; Salaheldin, 2009; Satish & Srinivasan, 2010; Arumugam & Mojtahedzadeh, 2011).

This theory of quality management has recognized many quality management systems practices such as quality management systems practices which have been documented and empirically analyzed in measurement studies and in studies that have investigated the relationship between quality management systems practices and performance. Saraph, Benson and Schroeder (1989) proposed Seventy eight items that were grouped in to eight critical quality management systems practices: role of divisional top management and quality policy, process management, product and service design, training, quality data and reporting, supplier quality management, role of the quality department and 8)employee relations. To measure quality management, Lu and Sohal (1993) used nine quality management systems practices: Top management commitment, Strategic quality management, Process quality management, Design quality management, Education and Training, Information and Analysis, Benchmarking, Resources and Statistical process control.

In the same way, Flynn, Schroder and Sakakibara, (1994) proposed seven quality practices of quality management systems: top management support, product design, process management, quality information, supplier involvement, workforce management and customer involvement. Powell (1995) comprehended the dimensions of quality management and identified 12 factors from a thorough review of literature. These factors are Committed leadership or executive commitment, employees empowerment, Adoption and communication of quality management systems or adopting the philosophy, Closer supplier relationships, Training, Open organization, Closer customer relationships, Benchmarking Process improvement, Zero-defects mentality, Measurements and Flexible manufacturing. Myoung- Ho lee et.al (2000) says quality management systems focuses on customer orientated approach so as to pursue strategically the continuous improvement of the results from all process.

### **2.3 Empirical Review**

Mwaniki, & Bichanga (2014) focused on determining the Effects of total quality management on financial performance in the banking sector: a case study of national bank of Kenya . This study was limited to establishing how the pillars of TQM, namely supplier relationship, customer relationship, processes and top management involvement relate to financial performance. The four pillars of TQM formed the independent variables of the study while financial performance was the dependent variable. The findings of the study indicated a positive relationship between top management involvement, process and supplier relationship and financial performance.

In their study Hassan, Mukhtar, Qureshi and Sharif (2012) examined the association between quality management practices and performance, i.e. quality, business, and organizational performance. The quantitative data were obtained through a survey from 171 quality managers of Pakistan's manufacturing industry. This study supports the hypothesis that quality management systems practices positively impact the performance. Quality management systems tools and techniques (Incentive and Recognition System, Process, Monitoring and Control and Continuous Improvement) and Behavioral factors (Fact based-management, top management's commitment to quality, employee

involvement and customer focus) contribute to the successful implementation of quality management systems. The study reports that successful adoption and implementation of quality management systems practices results in improving the performance of organization. The main implication of the findings for managers is that with quality management systems practices, manufacturing organizations are more likely to achieve better performance in customer satisfaction, employee relations, quality and business performance than without quality management systems practices.

According to Irfan, Ijaz, Kee and Awan (2012) in the study on Improving Operational Performance of Public Hospital in Pakistan used a questionnaire with fourteen Quality management systems practices to measure the impact of Quality management systems practices on operational performance of public hospital in Pakistan. Structural Equation Modeling (SEM) approach with AMOS 16.0 was employed to develop a Quality management systems and performance model. A total of 239 questionnaires was included in the study and the results show that selected Quality management systems practices has a significant positive impact on quality management systems implementation and also on operational performance in terms of increased flexibility, improved quality of services, reduction in service time and effective diagnostics.

In examining whether quality management work in the public sector Stringham (2004) focused on the quality movement in the United States during the past two decades in the context of public management. The paper reviewed the impact of the Pennsylvania Department of Transportation's twenty-year experience with its quality improvement program on overall organizational performance and productivity. The study concluded with a discussion of the challenges of sustaining a quality program through the frequent changeover of senior political appointee leadership and the inherent tension between process improvement quality approaches and cost savings/cost avoidance approaches that surface during times of government fiscal crises.

Adeoti (2003) examined the gains of application of total quality management in the service industry with particular reference to the commercial banks in Nigeria and also to see how the application of TQM can prevent future threats of distress in commercial

banks. Three banks were selected randomly, one to represent each of the three generation banks. The results of the study showed that the quality and quantity of employees employed determine to a very large extent the survival of any bank, also that the application of TQM is not immunity against distress but a preventive mechanism for distress.

## **2.4 Operational Performance**

TQM has been widely regarded as a tool for improving performance through measures observed such as waste, quality of product, product of service as well as efficiency. Operational Performances such as profit and market share, customer satisfaction, people satisfaction, business performance, and impact on society and environment due to a quality management programme may also be observed. Total Quality Management is not a static attribute, it is constantly changing target because it represents a delighted (not just satisfied) customer. As the customer's expectations rise, so must the product's quality. This tenet leads to the principle of continuous improvement and every month new ways of improvement must be considered and implemented. Moreover, this continuous improvement should be directed not at outputs but at the inputs and processes that the manager can directly control. The manager should focus instead, according to TQM on improving organizational processes and inputs in order to improve quality, because increased quality will lead to customer loyalty, and long-range profits will inexorably follow (Scholtes & Hacquebord, 2002).

The effective implementation of total quality management will increase customer satisfaction with the service offerings (Dale *et al.*, 2000). Quality enhances customer loyalty through satisfaction; this in turn can generate repeat business and lead to the attraction of new customers through positive word of mouth advertisement. The word of mouth communication will help in cost reduction. This in return will provide competitive edge to the company. The improvement in quality will result in increased market share and profitability. Total quality management is a management philosophy which emphasizes the devolution of authority to the front line staff. It ensures the participation of everyone in the decision making process through activities such as quality cycles and

team work (Lagrosen, 2002). Devolution of authority to employees may motivate them to give better service. This is said to increase the employee's level of job satisfaction (Ugboro and Obeng, 2000).

The implementation of total quality management ensures that every worker in the organization does his work with quality the first time, thus improving the efficiency of operation and avoiding some cost associated with waste and rework. This in turn will offer more value to customers in terms of price and service quality, thus making them satisfied. Implementation of total quality management will ensure that organizations change how they perform activities so as to eliminate inefficiency, improve customer satisfaction and achieve the best practice (Zhang, 2000).

Total quality management helps in improving the quality of products and also reduces the scrap, rework and the need for buffer stock by establishing a stable production process (Dale *et al.*, 1994). Total quality management will reduce the cost of production and time of production. Continuous improvement which is a feature of total quality management is said to reduce the product cycle time thus improving productivity (Wiklund & Edvardsson, 2003). Many other total quality management principles such as training, information system management, relationship with suppliers, have a positive impact on operational performance. The efficient management handling of these principles will improve efficiency and no doubt affect the profitability of the firm.

## **2.5 Total Quality Management Practices**

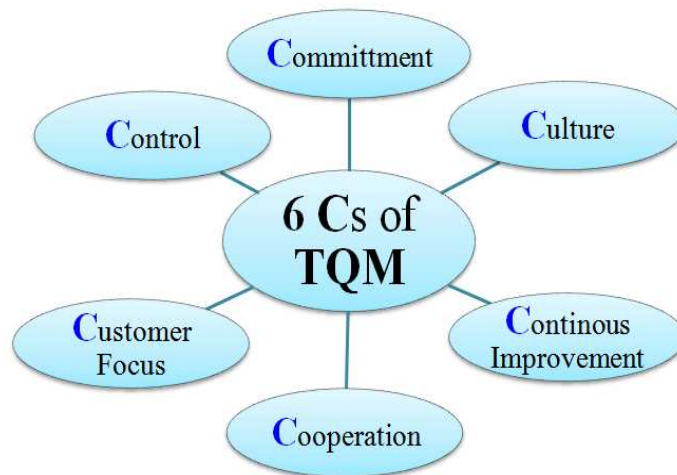
TQM involves the application of quality management practices in all aspects of organization including customers and suppliers and their integration with the key business processes. Oakland (2000) There are seven practices that should be taken in TQM implementation these include leadership and top management commitment, customer management, people management and empowerment, supplier partnership, quality planning and strategic process management rewards and recognition and effective communication.



Dale (1993) found there are eleven total quality management 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. Brah *et al.* (2000) in their study on TQM and business performance in Singapore service sector came up 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, 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: management support and commitment, employee involvement, employee empowerment, information and communication, training and education, customer focus and continuous improvement.

The below figure shows the 6 Cs of TQM process implementation



Source: Gaurav, (2012)

**Figure 1: showing the six Cs of TQM implementation**

### **2.5.1 Leadership and Top management Commitment Practices**

Top management commitment and leadership requires effective change in organizational culture and this can only be made possible with the deep involvement of top management to the organization's strategy of continuous improvement, open communication and cooperation throughout the organization. Total quality management implementation improves the organizational performance by influencing other total quality management dimensions (Eskildson, 1994).

Juran (2003) most problems are associated with quality attributed to management. This indicated that successful quality management is highly dependent on the level of top management commitment. It requires that top management commitment to quality must convey the philosophy that quality will receive a higher priority over cost and that on long run will achieve operational performance as well as reduced operational cost.

### **2.5.2 People Management and Empowerment Practices**

In the traditional sense, employee involvement was conceived to mean a feeling of psychological ownership among organizational members (Dale *et al.*, 1994). Unlike total quality management ideology, the traditional employee involvement is narrow minded; it is job centered rather than process-centered. The total quality management approach involves achieving broad employee interest, participation and contribution in the process of quality management (Motwani *et al.*, 1994).

Cultural change to Dale *et al.*, (1994) implies an approach to changing the cooperate culture of an organization to be customer centered. According to Dale *et al.*, (1994), culture influences what the executive groups attend to, how it interprets information and the response it makes to changes in the external environments. It is exceedingly crucial in the drawing up of the strategic position of the firm as it dictates how members of staff approach their day to day activities.

Training helps in preparing employees towards managing the total quality management ideology in the process of production. Training equips people with the necessary skills and techniques of quality improvement.

It is argued to be a powerful building block of business in the achievement of its aims and objectives (Zhang, 2000). Through training, employees are able to identify improvement opportunities as it is directed at providing necessary skills and knowledge for all employees to be able to contribute to ongoing quality improvement process of production. Training and development programmers should not be seen as a onetime event but a lifelong process (Dale *et al.*, 2000).

### **2.5.3 Quality policy and Strategy Practices**

Strategies and objectives are also a crucial source of organizational capability. Powell (1995) also argues that strategy should be pushed slightly higher than the current limit of the capability to ensure the perfection of those capabilities. 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 (Miller & Cardinal, 1994).

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 (Miller & Cardinal, 1994). Therefore, objectives are fundamental for organizational accomplishment. Connecting to the objectives, being equipped with strategies is the mechanism to achieve long-term objectives (David, 1995).

Top management needs strategic planning in the institution to raise the performance bar, both in terms of institutional goals and challenges and in individual expectations. Through strategic planning, structures and systems in an institution should be designed to promote lateral processes, including communication and coordination, between those in direct contact with customers and suppliers and those involved in the internal functions of the institution. Strategic planning also needs the kind of foresight that provides a vehicle for managing perceptions of environmental uncertainty and change, thereby enabling the clarification of perception that is fundamental to the prescient and innovative use of macro-environmental phenomena and the early recognition of institutional opportunities (Rahman & Siddiqui, 2006).

The importance of strategies and objectives and their relation to organizational resources and firm performance have been recognized in the literature. Karia and Asaari, (2006) 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 & 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 (David, 1995).

#### **2.5.4 Supplier Partnership Practices**

Supplier quality management is an important aspect of TQM since materials and purchased parts are often a major source of quality problems (Crosby, 2000). Poor quality supplier products results to in extra cost for the purchaser. In order for both parties to succeed and business to grow a partnership is required. Juran, Oakland (2000) states that companies should treat their suppliers as long-term partners as they are integral part of the organizations business operations. Quality management practices facilitate establishment of relationships with suppliers and customers so as to promote and facilitate communication with the aim of mutually improving the effectiveness and efficiency of processes that create value.

There are various opportunities for organizations to increase value through working with their suppliers and customers, such as: optimizing the number of suppliers and customers; establishing two-way communication at appropriate levels in both organizations to facilitate the rapid solution of problems, and to avoid costly delays or disputes. It also involves cooperating with suppliers in validation of the capability of their processes; monitoring the ability of suppliers to deliver conforming products with the aim of eliminating redundant verifications.

It is also essential to encourage suppliers to implement programs for continual improvement of performance and to participate in other joint improvement initiatives; involving suppliers in the organization's design and development activities to share knowledge and effectively and efficiently improve the realization and delivery processes for conforming products. Finally, involving partners in identification of purchasing needs and joint strategy development is essential, including evaluating, recognizing and rewarding efforts and achievements by suppliers and partners.

## **2.6 Summary of Literature Review**

The adoption of the total quality management approach is to ensure that organizations manage quality at all functional areas of operation without giving room for lapses in the inter functional processes of operations. It is an ideology which is holistic and allows for the participation and contribution of everybody to the quality improvement drive of the organization. This is aimed at satisfying customers and all stake holders alike, as the implementation brings about added value to the organization.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.0 Introduction**

This chapter outlines the methods that were used for the study. It adopted the following structure: research design, population and sample, population description, data collection methods, research procedures and data analysis and methods.

### **3.1 Research Design**

The study applied a descriptive research design. The researcher chose this design due to its ability to ensure minimization of bias and maximization of reliability of evidence collected. A descriptive research is more rigorous, accurate and seeks to find out who, what, when and how, aspects of the research (Cooper & Schindler, 2006).

### **3.2 Population**

The population of the study consisted of all commercial banks in Kenya. Currently there are 43 registered banks (bankers association records, 2014) from which a bank manager and operational manager were drawn from each bank, making a total of eighty six (86) respondents. A census survey was done on all registered banks since the population is small

### **3.3 Data Collection**

Primary data was used in the study. The data was collected from respondents using closed ended questionnaire. Questionnaires are suitable to obtain important information about the population and are said to reach large number of subject who are able to read and write independently (Orodho, 2004). Drop and pick method was used to administer the questionnaire. Hence each respondent received the same set of questions in exactly the same way. The respondents were made aware of purpose of the research and were assured of their confidentiality will.

### 3.4 Data Analysis

Collected data was chronologically arranged with respect to the questionnaire outline to ensure that the correct code was entered for the correct variable cleaned and tabulated. The tabulated data was analyzed using descriptive, correlation and regression statistics in with the aid of Statistical Package for Social Sciences (SPSS 21.0). Multiple regression statistics was used to establish the relationship between the total quality management practices and operational performance among Kenya commercial banks based on the regression model shown here below

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where;

Y= Operational Performance

X1= Leadership and Top management commitment Practices

X2= People management and empowerment Practices

X3= Quality policy and Strategy Practices

X4= Supplier partnership Practices

$\beta_0 \beta_1 \beta_2 \beta_3 \beta_4$  is the coefficient of the variables.

e is the error term

Presentation of data is in form of tables, charts and graphs only where it provides successful interpretation of the findings. Descriptive data will be provided in form of explanatory notes

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter presents the analysis of study findings on the relationship between total quality management practices and operational performance of commercial banks in Kenya. This chapter analyses the variables involved in the study and estimates of the model presented in the previous chapter.

### **4.2 Data Presentation**

#### **4.2.1 Response Rate**

The study targeted 86 employees of all the 43 registered banks (bankers association records, 2014) from which a bank manager and operational manager were drawn from each bank. The objective was to determine extent of implementation of total quality management practices and relationship between total quality management practices implementation and operational performance in Kenya Commercial Banks. Out of the 86 issued questionnaires, 81 questionnaires representing 94.1% of the total questionnaires distributed were returned fully completed, while 5 questionnaires were not returned representing 5.9% of the total questions distributed to the respondents. It can be inferred that the response rate was good. According to Mugenda and Mugenda (2003) a response rate of 70% and over is excellent for analysis and reporting on the opinion of the entire population.



#### 4.2.2 Highest Level of Education

Table 4.1 below indicate (23.5%) respondents who participated in the study were diploma graduates, 30.9% indicated they were undergraduates, 34.5% were postgraduates and 11.1% indicated others. This shows that majority of the respondents were postgraduates.

**Table 4.1 Level of Education**

<b>Education level</b>	<b>Education level (n = 81)</b>	
	<b>F</b>	<b>%</b>
Diploma	19	23.5
Undergraduate	25	30.9
Postgraduate	28	34.6
Others	9	11.1
	<b>81</b>	<b>100</b>

**Source: Research Data, (2014)**

#### 4.2.3 Respondent categories

Table 4.2 below indicate majority of the operations manager filled in the questionnaires (72.8%) and branch managers at (27.2%).

**Table 4.2: Respondent categories**

<b>Respondent categories</b>	<b>Years of Service (n = 81)</b>	
	<b>F</b>	<b>%</b>
Branch Manager	22	27.2
Operations Manager	59	72.8
	<b>81</b>	<b>100</b>

**Source: Research Data, (2014)**

#### 4.2.4 Work Experience

Results of the study indicate that 7.4% of the respondents had worked between 0-4 years 17.3%, and 60.5% of the respondents had worked for a period between 5-9, and 10-19 years respectively, while 14.8% of the respondents had a work experience of over 20 years as indicated on table 4.3.

**Table 4.3: Work Experience of Respondents**

<b>Work Experience</b>	<b>Years of Service</b>	
	<b>(n = 81)</b>	
	<b>F</b>	<b>%</b>
0-4 years	6	7.4
5-9 years	14	17.3
10-19 years	49	60.5
20+years	12	14.8
	<b>35</b>	<b>100</b>

#### 4.3 Total Quality Management Implementation

Table 4.4 indicates that 69.1% of the commercial banks in Kenya have implemented total quality management while 30.9% of the banks have not implemented total quality management.

**Table 4.4 Total Quality Management Implementation**

<b>Measurement</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	56	69.1
<b>No</b>	25	30.9
	<b>81</b>	<b>100</b>

**Source: Research Data, (2014)**

#### **4.3.1 Extent of Implementation of TQM**

The study aimed at establishing the extent of implementation of TQM. The scale that was used was Likert scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree.

According to the study Critical success factors, developed measures and metrics obtained mean and standard deviation of 2.6 and 1.1 respectively which define the element has being key in implementation of TQM, followed by management and employee empowerment, stakeholders consultation, implemented TQM improvements initiatives, initiated the process of clarification of the bank vision, mission and values and least being reviewing the implementation process with mean and standard deviation of 1-9 and 11.1 respectively, as indicated on Table 4.5. This concurs with Eskildson( 2006) Critical Success Factors can be defined as “the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization, they are the critical key area where 'things must go right' for the business to flourish. Meanwhile, Black and Porter (2004) place emphasis on Baldrige Award criteria, revealing ten critical factors for TQM, these factors are: supplier partnership, People and customer management, customer satisfaction orientation, external interface management, communication of improvement information, strategic quality management, , operational quality planning, quality improvement measurement systems, teamwork structure for improvement, and corporate quality culture.

**Table 4.5 Extent of Implementation of TQM**

<b>Extent of Implementation of TQM</b>	<b>N</b>	<b>Mean</b>	<b>S.D.</b>
Initiated the process of clarification of the bank vision, mission and values	81	2.16	1.066
Identified the critical success factors and Developed Measures and Metrics	81	2.63	1.156
Management and employees empowerment, stakeholders consultation	81	2.46	1.370
Process of reviewing the implementation process	81	1.98	1.060
Implemented TQM improvement initiatives	81	2.23	1.087

**Source: Research Data, (2014)**

#### **4.4 Operation Performance**

The study sought to find out the operation performance indicators of implementation of TQM. The scale that was used was Likert scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree.

**Table 4.6 Operation Performance**

<b>Operation Performance indicators</b>	<b>N</b>	<b>Mean</b>	<b>S.D.</b>
Increased bank profitability	81	2.36	.088
Enhanced sales	81	2.70	.188
Increased bank competitiveness and bigger market share	81	2.35	.305
Enhanced service delivery	81	2.38	.241
Effective waste reduction in operations	81	2.41	.104
Improved operation efficiency	81	2.74	.233
Increased retention as a result of customer satisfaction	81	2.72	.399

**Source: Research Data, (2014)**

From the results of the study respondents agree that TQM implementation improve operation efficiency ,increased retention of customers as a result of customer satisfaction and enhanced sales with least on increasing of banks profitability and increasing market share., The results of the study concurs with those of is in line with the findings of Ozaki( 2003) who established that effective implementation of TQM will increase customer satisfaction with the service offerings, ensures that organizations change how they perform activities so as to eliminate inefficiency, improve customer satisfaction and achieve the best practice.

## 4.5 Leadership

### 4.5.1 :Effect of leadership on TQM implementation

The study sought to determine the effects of leadership on implementation of TQM. The scale that was used was Likert scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree.

**Table 4.7 Effect of leadership**

<b>Effect s of leadership</b>	<b>N</b>	<b>Mean</b>	<b>S.D.</b>
Bank leadership has provided the necessary resources	81	2.56	1.235
Bank leadership has provided conducive working environment	81	2.64	1.197
Bank leadership influences the decision of selecting qualified suppliers	81	2.81	1.151
Bank leadership plays an active role in creating strategies, plans and systems	81	2..37	1.249
Bank leadership has inspired staff and management	81	2.49	1.295

**Source: Research Data, (2014)**

The study results show that the respondents agree that the bank leadership plays an active role in creating strategies, plans and systems and neutral on Bank leadership has provided the necessary resources bank leadership has provided conducive working environment, bank leadership influences the decision of selecting qualified suppliers and bank leadership has inspired staff and management. This study results are in line with the findings of Juran (2003) who indicated that successful quality management is highly dependent on the level of top management commitment. It requires that top management commitment to quality must convey the philosophy that quality will receive a higher priority over cost and that on long run will achieve operational performance as well as reduced operational cost.

#### **4.5.2 Influence of Bank Leadership**

The study on Table 4.8 below sought to determine the influence of organization leadership on TQM implementation on commercial banks in Kenya. Majority of the respondents represented by 58.0% of the respondents stated that organization leadership influences operation performance, while 42.0% of them stated that organization leadership does not influence operation performance.

**Table 4.8 Influence of Organization Leadership**

<b>Measurement</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	47	58.0
<b>No</b>	34	42.0
	<b>81</b>	<b>100</b>

**Source: Research Data, (2014)**

#### **4.6 Employee Empowerment Practices**

##### **4.6.1:Effect of Employee Empowerment Practices**

The study sought to determine the effects of employee empowerment practices on implementation of TQM. The scale that was used was Likert scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree.

**Table 4.9 Effect of Employee Empowerment Practices**

<b>Effect of Employee Empowerment Practices</b>	<b>N</b>	<b>Mean</b>	<b>S.D.</b>
Employees quality of life is effectively managed	81	2.27	0.959
Employees training and development	81	2.14	0.216
Employees have the responsibility and authority	81	2.07	0.355
Quality management systems programme promotes the freedom of employees	81	2.13	0.281
involvement and communication to employees	81	2.18	0.117
Reward systems have been instituted in the bank	81	2.13	0.235
Establishment of an environment that encourages employee efforts	81	2.02	0.139

**Source: Research Data, (2014)**

According to the results the respondents agree that establishment of an environment that encourages employee efforts, give the responsibility and authority, reward, train and develop them affects TQM implementation. The study adds and enriches the study findings of Motwani et al., (1994) and Zhang, (2000) who established that total quality management approach involves achieving broad employee interest, participation and contribution in the process of quality management. That training helps in preparing employees towards managing the total quality management ideology in the process of production; equips people with the necessary skills and techniques of quality improvement.

#### **4.6.2 Influence of Employees' Empowerment**

The results of the study on table 4.10 below shows the influence of TQM employees' empowerment practices on operation performance of commercial banks. From the findings majority (70.4%) of the respondents stated that employees' empowerment influences operation performance while 29.6% of them stated that employees' empowerment does not influence operation performance.

**Table 4.10 Influence of Employees' Empowerment**

Measurement	Frequency	Percentage
Yes	57	70.4
No	24	29.6
	<b>81</b>	<b>100</b>

**Source: Research Data, (2014)**

#### **4.7:Quality Strategy Practices**

##### **4.7.1 :Effect of Strategy Practices on TQM Implementation**

The study sought to determine the effects of employee empowerment practices on implementation of TQM. The scale that was used was Likert scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree.

**Table 4.11 Effect of Strategy Practices**

Strategy Practices	N	Mean	S.D.
Strategic practices ensure effective service delivery	81	2.44	.056
Strategic practices result in customer and employee satisfaction	81	2.39	.211
Strategic practices shape external business environment	81	2.41	.302
Strategic practices build banks core capabilities	81	2.49	.205
Strategic Synergy strengthens its competitiveness	81	2.30	.245

**Source: Research Data, (2014)**

The study results indicated that respondents agree that strategic practices affects the TQM implementation and are related to operational performance. These study findings provide a direct relationship between quality strategies and operational performance of Banks like the studies of (Miller & Cardinal, 1994) and Karia and Asaari, (2006) that



give the importance of strategies in general terms by indicating 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. That effective strategies and objectives are also considered an organizational capability.

**4.7.2: Influence of Quality Strategic Practices**

Findings of the study shown on table 4.12 below shows the effects of strategic practices influenced by TQM on operation performance of commercial banks. Majority (67.9%) of the respondents stated that quality strategic practices influences operation performance of banks, while 32.1% of them stated that strategic practices do not influence operation performance of banks.

**Table 4.12 Influence of strategic practices**

<b>Measurement</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	55	67.9
<b>No</b>	26	32.1
	<b>81</b>	<b>100</b>

**Source: Research Data, (2014)**

**4.8 :Supplier Partnership**

**4.8.1 Effective Supplier Partnership**

The study sought to determine the effects of supplier partnership on implementation of TQM. The scale that was used was Likert scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree.

**Table 4.13 Effective Supplier Partnership**

<b>Effective Supplier Partnership</b>	<b>N</b>	<b>Mean</b>	<b>S.D.</b>
Strategic partnership with suppliers ensures continued quality performance	81	2.57	0.167
Effectively harnessed benefits of establishing partnerships	81	2.25	0.245
Promotes and facilitates communication with key suppliers	81	2.43	0.313
Enhances sharing of information	81	2.39	0.061
Promotes supplier quality cooperation	81	2.31	0.056

**Source: Research Data, (2014)**

The study results indicated that respondents agree that supplier partnership affects the TQM implementation. The study results concurs with the views of Crosby, (2000) who avers that supplier quality management is an important aspect of TQM since materials and purchased parts are often a major source of quality problems. The findings are also in line with the findings of Juran, Oakland (2000) which indicated that companies should treat their suppliers as long-term partners as they are integral part of the organizations business operations. Quality management practices facilitate establishment of relationships with suppliers and customers so as to promote and facilitate communication with the aim of mutually improving the effectiveness and efficiency of processes that create value.

#### **4.8.2 Influence of supplier partnership**

The study below was used to determine the influence of supplier partnership on operation performance of commercial banks. Majority of the respondents represented by 76.5% of the respondents stated that supplier partnership influences operation performance while 23.5% of them stated that supplier partnership does not influence operation performance.

**Table 4.14 Influence of supplier partnership**

<b>Measurement</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	62	76.5
<b>No</b>	19	23.5
	<b>81</b>	<b>100</b>

**Source: Research Data, (2014)**

#### **4.9: Relationship between Total Quality Management Practices and Operational Performance in Commercial Banks in Kenya**

Results on table 4.8 below shows the correlations between Total Quality Management Practices and Operational performance of commercial banks in Kenya, while holding the correlation coefficient (r) value at between plus and minus one (-1.00 and +1.0). The study used the significance level of alpha = .05 (95%), Degrees of freedom (df) of 5, and two-tailed test.

Based on the study, correlation coefficient (r) and the coefficient of determination (r<sup>2</sup>) on table 4.15 indicates that (54.3%), (43.3%), (47.4%) and (33.5%) of operational performance of banks is affected by the leadership practices, people empowerment practices, quality strategy practices and supplier partnership practices respectively. Since the correlation is positive it can be concluded that the correlation is statistically significant, hence there is a positive relationship between Total Quality Management Practices and Operational performance of commercial banks in Kenya.

**Table 4.15 Relationship between Dependent and Independent Variables**

Independent Variables		r	r <sup>2</sup>	Df	Sig.
Pearson Correlation	Constant	0.000	0.000	0.000	0.000
	Leadership Practices	.737 <sup>a</sup>	.543	5	.011
	People Empowerment Practices	.658 <sup>a</sup>	.433	5	.038
	Quality Strategy Practices	.689 <sup>a</sup>	.474	5	.024
	Supplier partnership practices	.579 <sup>a</sup>	.335	5	.015

**Source: Research Data, (2014)**

#### 4.9.1 Regression between Independent and Dependent Variables

The results shown on table 4.15 and 4.16 below sought to establish the regression between operational performance of commercial banks in Kenya and total quality practices. The degree to which total quality practices are related to operational performance of banks is expressed in the positive correlation coefficient ( $r$ ) = 0.453 and coefficient of determination, ( $r^2$ ) = 0.205 as shown on table 4.16 below. This implies that the four independent variables together predict about 20.5% of the operational performance of banks.

**Table 4.16 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Df	Sig
1	.453a	.205	.152	0.160	5	.004

**Source: Research Data, (2014)**

#### 4.9.2 ANOVA Results

Analysis of variance was used to test the significance of the regression model as pertains to differences in means of the dependent and independent variables as shown on table 4.16 below. The ANOVA test produced an F-value of 3.877 which is significant at  $p=0.004$ . This depicts that the regression model is significant at 95% confidence level. Thus the regression model is statistically significant in predicting how leadership practices, people empowerment practices, quality strategy practices and supplier partnership practices affect operational performance of bank.

**Table 4.17 ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3.550	5	.710	3.877	.004 <sup>a</sup>
Residual	13.734	75	.183		
Total	17.284	80			

#### 4.9.3 Multiple Regressions between Independent and Dependent Variables

The findings on table 4.17 below are based on the following regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where;

Y= Operational Performance

X1= Leadership Practices

X2= People Empowerment Practices

X3= Quality Strategy Practices

X4= Supplier Partnership Practices

$\beta_0 \beta_1 \beta_2 \beta_3 \beta_4$  are the coefficient of the variables.

e is the error term

The study sought to establish the extent to which Leadership Practices (LP), People Empowerment Practices (PEP), Quality Strategy Practices (QSP) and Supplier Partnership Practices (SPP) predict Operational Performance of Banks (OPB).

Hence the regression model became:

$$OPB = \beta_0 + \beta_1 LP + \beta_2 PEP + \beta_3 QSP + \beta_4 SPP + \varepsilon$$

Therefore Table 4.17 below shows that leadership practices, people empowerment practices, quality strategy practices and supplier partnership practices have positive coefficients, implying that these independent variables positively predict operational performance of banks. Therefore taking all independent variables (leadership practices, people empowerment practices, quality strategy practices and supplier partnership practices) constant at zero (0); operational performance of banks will be at 2.132.

Therefore a unit increase in leadership practices, people empowerment practices, quality strategy practices and supplier partnership practices will lead to 1.204, 1.019, 1.109 and 1.033 unit increases in operation performance of banks

The results of the study further indicates that p-value of = (0.003) for leadership practices, (0.001) for people empowerment practices; (.002) for quality strategy practices and (0.004) for supplier partnership practices are smaller than the significance level of 0.05. The implications of these results is that there is a significant relationship between leadership practices, people empowerment practices, quality strategy practices and supplier partnership practices and operational performance of banks.

**Table 4.18: Coefficients**

Variables	Coefficients <sup>a</sup>				
	$\beta$	Standard Error	$\beta$ eta	t	Sig
(Constant)	2.132	.521	.000	4.092	.000
Leadership Practices	1.204	.601	.189	2.003	.003
People empowerment practices	1.019	.507	.020	2.009	.001
Quality Strategy Practices	1.109	.549	.120	2.020	.002
Supplier Partnership Practices	1.033	.510	.037	2.025	.004

**Source: Research Data, (2014)**

#### **4.10 Summary & Presentation of Findings**

##### **4.10.1 Operational Performance of Banks**

Results of the study shows respondent agree that total quality management improve operation efficiency thus reducing operation cost. Other results show that increased customer retention as a result of customer satisfaction, enhanced sales, effective waste reduction in operations, enhanced service delivery in the bank, increased bank profitability a increased bank competitiveness and resulted in acquisition of bigger market share.

##### **4.10.2 Leadership Practices**

The results of the study show that majority (58.0%) of the respondents acknowledged bank leadership practices affect the operational performance of banks. The study results also indicated that bank leadership plays an active role in creating strategies, plans and systems resulting from quality management systems, provided conducive working environment to employee involvement in quality management process, influenced the decision of selecting qualified suppliers and certifying suppliers for quality material,

creates strategies, plans and systems for achieving superior quality in the institution and that has inspired staff and management in effective and efficient use of the resources and efforts of the institution towards quality excellence.

#### **4.10.3 People Empowerment Practices**

From the findings majority (70.4%) of the respondents stated that employees' empowerment influences operation performance. The findings of the study shows that implementation of quality management has affected employees quality of life, bank spends a large amount of its annual budget on employees training and development on total quality management systems, employees at all levels have the responsibility and authority to make decisions that affect them and their work teams, quality management systems programme promotes the freedom of employees to use their initiative in matters of customer delivery.

There is widespread involvement and communication to employees on all matters that concern their job and organization performance, Reward systems that support employee performance, participation , initiative and fostering of team-work have been instituted in the bank and Bank management has promoted the establishment of an environment that encourages employee efforts toward attainment of institutional objectives.

#### **4.10.4 Quality Strategy Practices**

Findings of the study shows that majority (67.9%) of the respondents stated that quality strategic practices influences operation performance of banks. Results of the study showed that Strategic practices has become a vital outcome of establishing quality management systems in the bank and in ensuring effective service delivery, quality strategic practices has resulted in customer and employee satisfaction and effective allocation of resource for organization functions; Strategic practices has provided a mechanism for bank managers to shape their external business environment, limit threats, take advantage of opportunities and enable to respond to quality issues proactively, quality strategic practices have facilitated the building of banks core capabilities and strategic synergy in the bank has strengthen its competitiveness enabling it to deliver effective services to customers.



#### **4.10.5 Supplier Partnership Practices**

The results of the study shows that supplier partnership influence operation performance of commercial banks as indicated by the majority of the respondents (76.5%). The bank has entered into strategic partnership with suppliers so as to ensure continued performance of the bank processes uninterrupted, The bank has effectively harnessed the potential benefits of establishing partnerships with suppliers, The bank promotes and facilitates communication with key suppliers the aim of aim of improving their effectiveness and efficiency of provision of the required supplies, The bank frequently shares with suppliers information such as their needs and expectations and that the Bank promotes supplier quality cooperation resulting in operational performance.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Summary**

The study found out that total quality management improves operation efficiency thus reducing operation cost. Therefore the implementation of quality management systems has increased bank profitability, enhanced sales, increased bank competitiveness and resulted in acquisition of bigger market share, enhanced service delivery in the bank, ensured effective waste reduction in operations, improved operation efficiency thus reducing operation costs and increased customer retention as a result of customer satisfaction.

The study established that bank leadership practices affect the operational performance of banks. That the implementation of total quality management has facilitated bank leadership to provide the necessary resources to meet the new requirements resulting from quality management systems, provided conducive working environment to employee involvement in quality management process, influenced the decision of selecting qualified suppliers and certifying suppliers for quality material, creates strategies, plans and systems for achieving superior quality in the institution and that has inspired staff and management in effective and efficient use of the resources and efforts of the institution towards quality excellence.

The found out that employee empowerment practices influences operation performance of banks. The findings of the study shows that implementation of quality management has affected employees quality of life, bank spends a large amount of its annual budget on employees training and development on total quality management systems, employees at all levels have the responsibility and authority to make decisions that affect them and their work teams, quality management systems have promoted the freedom of employees to use their initiative in matters of customer delivery. There is widespread involvement and communication to employees on all matters that concern their job and organization performance, reward systems that support employee performance, participation , initiative and fostering of team-work have been instituted in the bank.

The study established that quality strategic practices influences operation performance of banks. That quality strategic practice has become a vital outcome of establishing quality management systems in the bank and in ensuring effective service delivery, quality strategic practices has resulted in customer and employee satisfaction and effective allocation of resource for organization functions. Quality strategic practices has provided a mechanism for bank managers to shape their external business environment, limit threats, take advantage of opportunities and enable to respond to quality issues proactively. In addition quality strategic practices have facilitated the building of banks core capabilities and strengthening the bank competitiveness enabling it to deliver effective services to customers.

The results of the study showed that supplier partnership influence operation performance of commercial banks. The implementation of total quality management bank has entered into strategic partnership with suppliers so as to ensure continued performance of the bank processes uninterrupted, The bank has effectively harnessed the potential benefits of establishing partnerships with suppliers, The bank promotes and facilitates communication with key suppliers the aim of aim of improving their effectiveness and efficiency of provision of the required supplies, The bank frequently shares with suppliers information such as their needs and expectations and that the Bank promotes supplier quality cooperation resulting in operational performance.

## **5.2 Conclusion**

The implementation of quality management systems has increased bank profitability, enhanced sales, increased bank competitiveness and resulted in acquisition of bigger market share, enhanced service delivery in the bank, ensured effective waste reduction in operations, improved operation efficiency thus reducing operation costs and increased customer retention as a result of customer satisfaction.

Implementation of total quality management has facilitated bank leadership to provide the necessary resources to meet the new requirements resulting from quality management systems, provided conducive working environment to employee involvement in quality management process, influenced the decision of selecting qualified suppliers and

certifying suppliers for quality material, creates strategies, plans and systems for achieving superior quality in the institution and that has inspired staff and management in effective and efficient use of the resources and efforts of the institution towards quality excellence.

Quality management has affected employees quality of life, bank spends a large amount of its annual budget on employees training and development on total quality management systems, employees at all levels have the responsibility and authority to make decisions that affect them and their work teams, quality management systems have promoted the freedom of employees to use their initiative in matters of customer delivery. There is widespread involvement and communication to employees on all matters that concern their job and organization performance, reward systems that support employee performance, participation , initiative and fostering of team-work have been instituted in the bank.

Quality strategic practices has become a vital outcome of establishing quality management systems in the bank and in ensuring effective service delivery, quality strategic practices has resulted in customer and employee satisfaction and effective allocation of resource for organization functions. Quality strategic practices has provided a mechanism for bank managers to limit threats, take advantage of opportunities and enable to respond to quality issues proactively. In addition quality strategic practices have facilitated the building of banks core capabilities and strengthening the bank competitiveness enabling it to deliver effective services to customers.

The implementation of total quality management bank has entered into strategic partnership with suppliers so as to ensure continued performance of the bank processes uninterrupted, The bank has effectively harnessed the potential benefits of establishing partnerships with suppliers, The bank promotes and facilitates communication with key suppliers the aim of aim of improving their effectiveness and efficiency of provision of the required supplies, The bank frequently shares with suppliers information such as their needs and expectations and promotes supplier quality cooperation resulting in operational performance.

### **5.3 Recommendation**

There is need for the bank management to implement organizational culture change in the organization so as to enhance the implementation of total quality management so as to enhance the organization's strategy of continuous improvement, open communication and cooperation throughout the organization. In addition, the bank management commitment to quality need to convey the posture, philosophy and actions that total quality management implementation will receive a higher priority in the organization.

There is need for the bank to prioritize and enhance total quality management training process to help in preparing employees towards managing the total quality management, so as to be able to identify and contribute to ongoing quality improvement process of operational efficiency.

There is need for bank management to set clear, measurable and achievable objectives so that they will set the right direction for the firm. In addition they need to effectively allocate adequate required resources and capabilities so as to attain those objectives and subsequently improve operational efficiency and profitability.

There is need for bank management to establish grow and treat their suppliers as long-term partners as they are integral part of the organizations business operations and materials and purchased parts are often a major source of quality problems. This will promote and facilitate communication and thereby improving the effectiveness and efficiency of processes that create value.

### **5.4 Limitations**

The study used questionnaire that rely on self- report responses, however the problem with using a questionnaire is that it is based on the assumption that participants would respond to the questions in an honest and accurate manner.

Nevertheless, it is not always the case that participants answer in an honest manner. This is because participants often give answers that they believe to be desirable. However the researcher used qualitative data to complement the information obtained through the questionnaire.

There were some respondents who did not provide authentic information but instead provided general information making it difficult to obtain the required information. However the researcher alternated closed and open ended questions in order to get direct answers.

Some respondents did not provide authentic information but instead provided general information making it difficult to obtain the required information. However the researcher alternated closed and open ended questions in order to get direct answers.

Owing to the nature of the subject respondents, some reluctance was experienced from some respondents in terms of disclosing information with regards to the TQM practices rising from fear of being reprimanded by the managers in the organization who are responsible for handling issues related to the matter under study. However the researcher assured the respondents of the confidentiality of the information that they provided and sought authority from management to undertake research in the organization. The researcher also attached the letter of authority to from the university to the questionnaire so as give further assurance on the purpose of the study.

### **5.5 Suggestions for Further Studies**

This study only examined specific TQM management practices effects on total quality management practices and operational performance of commercial banks in Kenya. However there are other effects TQM management practices which likewise contribute operational performance of commercial banks hence it is recommended that further research on TQM management practices be done to identify and examine additional variables effect on performance of banks.

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**APPENDIX1: LIST OF COMMERCIAL BANKS FOR THE STUDY**

1	ABC Bank (Kenya)	24	Giro Commercial Bank
2	Bank of Africa	25	Guardian Bank
3	Bank of India	26	Gulf African Bank
4	Bank of Baroda	27	Habib Bank AG Zurich
5	Barclays Bank	28	Habib Bank
6	CFCStanbic Bank	29	Imperial Bank Kenya
7	Chase Bank (Kenya)	30	Investment & Mortgages Bank
8	Charterhouse Bank ltd	31	Jamii Bora Bank
9	Citibank N.A.	32	Kenya Commercial Bank
10	Commercial Bank of Africa	33	K-Rep Bank
11	Consolidated Bank of Kenya	34	Middle East Bank Kenya
12	Cooperative Bank of Kenya	35	National Bank of Kenya
13	Credit Bank	36	National Industrial Credit Bank
14	Development Bank of Kenya	37	Oriental Commercial Bank
15	Diamond Trust Bank	38	Paramount Universal Bank
16	Dubai Bank Kenya	39	Prime Bank (Kenya)
17	Eco Bank	40	Standard Chartered Bank
18	Equatorial Commercial Bank	41	Trans National Bank Kenya
19	Equity Bank	42	United Bank for Africa
20	Family Bank	43	Victoria Commercial Bank
21	Fidelity Bank		
22	Fina Bank (Kenya)		
23	First Community Bank		

Source: Central Bank of Kenya

## APPENDIX II: RESEARCH QUESTIONNAIRE

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Thank you for taking your time to fill this questionnaire. Your response to the questions herein will be treated confidentially.

Please answer all the questions as best as you can. Please Tick as appropriate

### **PART 1: Demographic Factors**

1. Name : \_\_\_\_Optional

2. Respondents level of Education

Diploma level  Degree level  Masters Degree  Others (specify)

3 Respondent Categories

Bank Manager  Operation Manager

6. Years of service in the Bank

0-4 yrs  5-9 yrs  10-19 yrs  20 +yrs

7.Has the bank implemented total quality management

Yes  No

**PART 2: Extent of Implementation of TQM**

8.Using a scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree, Please indicate the extent to which you agree with the following statements

	<b>Strongly agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>disagree</b>	<b>Strongly disagree</b>
The bank has initiated the process of clarification of the bank vision, mission and values with the a view to implementing TQM	⑤	④	③	②	①
The bank has clarified bank vision, mission and values and Identified the critical success factors and Developed Measures and Metrics to Track them the implementation of TQM	⑤	④	③	②	①
The bank has clarified bank vision, mission and values and Identified the critical success factors, Developed monitoring measures and metrics and embarked on management and employees empowerment, stakeholders consultation	⑤	④	③	②	①
The bank has implemented TQM and is in the process of reviewing the implementation process	⑤	④	③	②	①
The bank has implemented, reviewed and is implemented TQM improvement initiatives					

### PART 3: Operation Performance

9. Using a scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree, Please indicate the extent to which you agree with the following statements

	Strongly agree	Agree	Neutral	disagree	Strongly
Implementation of quality management systems has increased bank profitability	⑤	④	③	②	①
Quality management systems have enhanced sales which have contributed to bank performance	⑤	④	③	②	①
Effective implementation of quality management systems has increased bank competitiveness and resulted in acquisition of bigger market share.	⑤	④	③	②	①
Quality management systems has enhanced service delivery in the bank	⑤	④	③	②	①
Implementation of quality management systems has ensured effective waste reduction in operations	⑤	④	③	②	①
Quality management systems improve operation efficiency thus reducing operation costs	⑤	④	③	②	①
Implementation of quality management systems focuses on increased retention as a result of customer satisfaction	⑤	④	③	②	①

**PART 4: Leadership**

10. Using a scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree, Please indicate the extent to which you agree with the following statements

	Strongly agree	Agree	Neutral	disagree	Strongly disagree
Bank leadership has provided the necessary resources to meet the new requirements resulting from quality management systems implementation	⑤	④	③	②	①
Bank Leadership has provided conducive working environment to employee involvement in quality management process	⑤	④	③	②	①
The bank Leadership influences the decision of selecting qualified suppliers and certifying suppliers for quality material	⑤	④	③	②	①
The bank leadership plays an active role in creating strategies, plans and systems for achieving superior quality in the institution	⑤	④	③	②	①
The bank leadership has inspired staff and management in effective and efficient use of the resources and efforts of the institution towards quality excellence					

11. In your view does organization leadership influence operation performance of commercial banks?

Yes [ ] No [ ]



**PART 5: Employees Empowerment Practices**

12. Using a scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree, Please indicate the extent to which you agree with the following statements

	Strongly agree	Agree	Neutral	disagree	Strongly disagree
As part of implementation of quality management in the bank employees quality of life is effectively managed by the bank top management	⑤	④	③	②	①
The bank spends a large amount of its annual budget on employees training and development on total quality management systems	⑤	④	③	②	①
employees at all levels have the responsibility and authority to make decisions that affect them and their work teams	⑤	④	③	②	①
quality management systems programme promotes the freedom of employees to use their initiative in matters of customer delivery.	⑤	④	③	②	①
There is widespread involvement and communication to employees on all matters that concern their job and organization performance					
Reward systems that support employee performance, participation , initiative and fostering of team-work have been instituted in the bank					
Bank management has promoted the establishment of an environment that encourages employee efforts toward attainment of institutional objectives					

13. In your considered opinion does employees' empowerment influence operation performance of commercial banks?

Yes [ ] No [ ]

**PART 6: Strategy Practices**

14. Using a scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree, Please indicate the extent to which you agree with the following statements

	Strongly agree	Agree	Neutral	disagree	Strongly disagree
Strategic practices has become a vital outcome of establishing quality management systems in the bank and in ensuring effective service delivery	⑤	④	③	②	①
Strategic planning practices has resulted in customer and employee satisfaction and effective allocation of resource for organization functions	⑤	④	③	②	①
Strategic practices has provided a mechanism for bank managers to shape their external business environment, limit threats, take advantage of opportunities and enable to respond to quality issues proactively	⑤	④	③	②	①
Strategic practices have facilitated the building of banks core capabilities	⑤	④	③	②	①
Strategic Synergy in the bank has strengthen its competitiveness enabling it to deliver effective services to customers	⑤	④	③	②	①

15. In your view do strategic practices influence operation performance of commercial banks?

Yes [ ] No [ ]

**PART 7: Supplier Partnership**

17 Using a scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree, Please indicate the extent to which you agree with the following statements

	Strongly agree	Agree	Neutral	disagree	Strongly disagree
The bank has entered into strategic partnership with suppliers so as to ensure continued performance of the bank processes uninterrupted	⑤	④	③	②	①
The bank has effectively harnessed the potential benefits of establishing partnerships with suppliers	⑤	④	③	②	①
The bank promotes and facilitates communication with key suppliers the aim of aim of improving their effectiveness and efficiency of provision of the required supplies	⑤	④	③	②	①
The bank frequently shares with suppliers information such as their needs and expectations	⑤	④	③	②	①
The Bank promotes supplier quality cooperation resulting in organization performance	⑤	④	③	②	①

18. In your considered opinion does supplier partnership influence operation performance of commercial banks?

Yes [ ] No [ ]

**THANK YOU FOR YOUR TIME AND COOPERATION**