

# A Study of the Outcome of Total Quality Management Implementation on Organisational Climate and Creativity in the Service Sectors

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## ABSTRACT

World economies have brought the key challenges of globalisation, high competition, and new technology strongly into focus for all organisations. Several service organisations have reacted to these challenges by implementing Total Quality Management (TQM) as a management loom in order to offer new solutions through organisational creativity and innovation as well as recognized outcomes in terms of efficiency and service delivery. A review of the relevant literature has shown that less study has yet addressed the impact of the implementation of TQM in inspiring organisational creativity in organisations in general. Very few studies have focused on the relationship between TQM and innovation but the results are uncertain in linking those relationships. Therefore, this study is an attempt to investigate the impact of the critical success factors (CSFs) obligatory for TQM implementation on organisational creativity in the service sectors. Furthermore this study aims to present a conceptual framework to study the nature of the relationship between TQM and organisational creativity, and proposes that the relationship between TQM and organisational creativity has both a direct and indirect relationship that turn out by attitudes of employees and the organisational climate or culture for creativity.

**Keywords:** TQM, organisational creativity, employees' attitudes, Organisational climate. Innovation, Productivity.

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## INTRODUCTION

In the early 1980s after the success in Japanese organisations in achieving a competitive edge organisations started to adopt TQM as one of a series of productivity improvement programmes (Kaynak, 2003). TQM swiftly became the ideal management philosophy among organisations in the 1990s, and TQM has been extensively applied for improving quality, competitiveness, and productivity in organisations (Samson and Terziovski, 1999; Karia and Asaari, 2006). (Ho et al., 1999) stated that many organisations have already executed TQM or are planning to implement it and at the same time, due to more and more competitive business environment, organisations need to become original or creative organisations (Andriopoulos and Lowe, 2000). In order to build up their products and services through structuring an organisational environment that persuades creativity (Andriopoulos, 2001). Creativity appears is a vital instrument to diminish competitive pressure by solving problems and adapting new technologies to overcome external threats (Williams, 2001).

Success of any organisation is more dependent on creativity and innovation than ever (Wong and Pang, 2003) as they require new methods and products, increase motivation and job satisfaction, more efficiency and strategic thinking at all levels, cooperation, and a greater focus on customer satisfaction (Basadur et al., 2002). Organizational Creativity and Climate seeks new solutions to product problems as well better and new solutions to business and customer problems (Mostafa, 2005). As per (Guimaraes, 1997), employee creativity and innovativeness are measured as key requirements for successful TQM implementation. The principles of TQM look to produce a cultural climate that is necessary for encouraging and adopting innovation in organisations (Montes et al., 2003) but innovation could also be held up by some forms of TQM implementation (Martinez-Costa and Martinez-Lorente, 2008). The main purpose of this study is to examine the relationship between TQM and organisational culture and creativity in the service sectors through the development of a conceptual framework, which includes any reconciling factors that might contribute to

the relationships between TQM and organisational climate and creativity and distinguishes the importance of critical success factors of TQM implementation to organisational creativity.

## THEORETICAL BACKGROUND

Today's Business drives all the companies towards a new view of quality as an imperative tool to compete successfully in the global markets. During the 1980's and 1990's, TQM was seen as a dramatic change in the management practice influencing global business systems (Amjad et al, 2011). A number of studies have attempted to identify the contribution of quality management practices in maximizing the organization performance (Frank & Oswald, 2009). Preliminary evidence seems to indicate that TQM-adopting firms obtain a competitive advantage over firms that do not adopt TQM (Brah et al, 2002, Powell, 1995) Firms that focus on continuous improvement, involve and motivate employees to achieve quality output and focus on satisfying customers' needs are more likely to outperform firms that do not have this focus (Joiner & Therese, 2006) . Thus, we can expect that to the extent an organization implements TQM practices, performance should be enhanced.

The origins of TQM can be traced to 1924 in Japan when Shewhart developed statistical process control (SPC). The origin of the term 'TQM' started as a substitute for the term "Total Quality Control (TQC)" that was introduced by Feigenbaum in 1961 simply replacing the word "control" with "management" (Martinez-Lorente et al., 1998). Although quality management was widely practised in Japan in the 1960s and 1970s (Tenner and DeToro, 1992), the TQM term only appeared in 1985 when the US Naval Air Systems Command named its Japanese-style management approach "Total Quality Management". Thereafter, the term TQM was popularised in business in the second half of the 1980s (Martinez-Lorente et al., 1998). The critical factors, both "soft factors" and "hard factors" (Sila, 2005), required for TQM implementation have been widely researched. Empirical research by Saraph et al. (1989) is considered to be the first systematic attempt to classify and organise the important critical factors of quality management practice. Based initially on an extensive literature review they developed eight categories (or critical factors) namely: the role of top management leadership, the role of the quality department, training, product/service design, supplier quality management, process management, quality data and reporting, and employee relations. Based on their initial work, their factors have been used partly or fully in many empirical studies that have been conducted since, including as Flynn et al. (1994), Anderson et al.(1995), Black and Porter (1996), Ahire et al. (1996), Tamimi (1998), Joseph et al. (1999), Motwani (2001), Antony et al. (2002), Tari (2005). For example, Barker and Emery (2006) identified eight CSFs of TQM, six from Saraph et al and two new factors namely, customer focus, and continuous improvement tools.

### Organisational Creativity

The most primitive definitions of creativity were based on the concept of the creative individual, when Guilford defined creativity as "the abilities that are most characteristics of creative people". As the field of study developed, attention moved from the individual themselves to the process of creativity as "the generation of novel ideas, without too much regard for their usefulness" (Cook, 1998:P.4). Moving on the field developed an interest not just in the process but in the nature of the outcome from the process and its contribution, which has led to definitions of creativity as "the development of ideas about products, practices, services or procedures that are: novel and potentially useful to the organization" (Shalley et al., 2004; Dewett, 2004: P.257).

The development of interest in organisational creativity has expanded the boundaries of study from the individual, to the workings of groups or teams of employees, and the organisation as a whole (Dewett, 2007; Unsworth, 2001; Martins and Terblanche, 2003; Shalley et al., 2004). A definition for organisational creativity as "the generation of new and useful ideas in the work by an individual or team which are evaluated by others" will be adopted for this study.

Individual or team creativity can be seen to consist of three major components - each of which is necessary for creativity in any situation. They are: expertise, creativity skills, and intrinsic task motivation. This underlying individual or team creativity is considered to be a fundamental source for the innovation process within organisations. At the organisational level, creativity and innovation requires three key organisational components, namely an organisational motivation to innovate, resources, and supportive management practices.

Organisational creativity therefore can result in outcomes that provide new levels of quality, cost, customer satisfaction, and quantity through changing current developing new methods or new products, and enhancing job satisfaction, motivation, teamwork, strategic thinking, efficiency and customer satisfaction (Basadur et al., 2002; Mostafa, 2005).

### Conceptual Framework

This study is an endeavour to study the impact of TQM implementation on service sector work outcomes in terms to organisational creativity, productivity and innovation. Since the purpose of this study is to recognize Critical Success Factors (CSF'S) of TQM implementation and to examine their impact on organisational creativity in the service sectors. This relationship could be either direct or indirect, and this study will analyse both relationships.

Reviewing the literature on the relationship between TQM and organisational creativity assumes that very less study has been performed to investigate those relationships which signify a huge gap in the literature. It is also believed that there are inconsistent opinions about the nature of the relationship between TQM and innovation. The previous studies argued strong positive relationships between TQM and productivity, TQM and employee attitudes, organisational climate and employee attitudes, organisational climate and both organisational creativity and productivity. On the other hand, there are inadequate researches in the relationships between TQM and Organisational Creativity, TQM and Organisational Climate, Employee Attitudes and Organisational Climate, Employee Attitudes and both Organisational Creativity and Productivity, Organisational Creativity and Productivity, Organisational Creativity and Innovation. These relationships are still not fully understood in organisations in general and particularly in service sectors, that requires a need to assess those relationships.

Therefore, the present study attempts to contribute towards filling a gap in the literature on the relationship between TQM, Organisational Climate and Organizational Creativity, a conceptual framework is devised as shown below. As illustrated in the figure below, this framework presents the direct relationships between TQM and work outcomes in terms of organisational creativity, innovation and productivity, as well as the indirect relationships between TQM and work outcomes mediating by Organisational Climate for creativity and employee attitudes based on reviewing the previous researches on these relationships.



**Conceptual Framework of the Study**

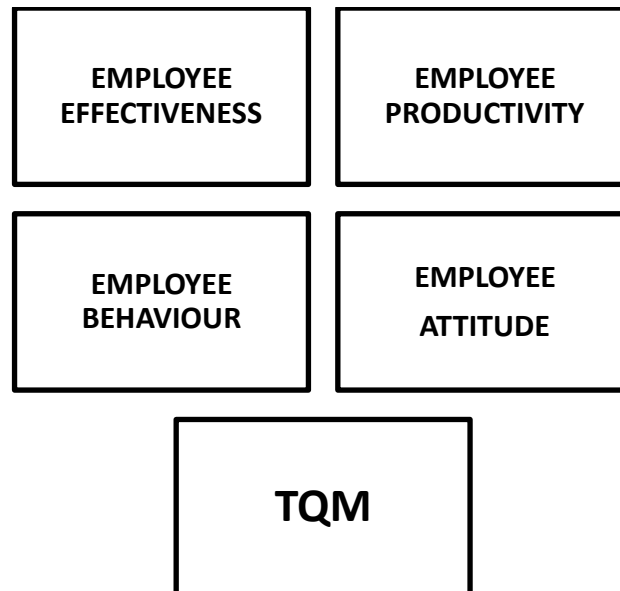
### **TQM AND WORK OUTCOMES**

The relationship between TQM and organisational creativity do not come out frequently in the literature. The literature shows the studies pertaining to the relationship between TQM and innovation rather than organisational creativity. Thus, the literature showed the absence of empirical studies that have examined completely the relationship between TQM and organisational creativity. Except one study that was conducted by Ekvall (2000) showed that TQM had the middle scores among management practices for inspiring creativity, and appears with a majority of positive responses but quite a few negative. Thus we can say that TQM taking middle positions as creativity stimulators. The findings recommended that Total Quality Management is measured as one of the management practices, which encourages creativity in a positive relationship, and it does not obstruct creativity.

The relationship between TQM and innovation emerged to have contradictory arguments over time among authors, research scholars and other academicians. Thus, there are two groups/sets of arguments. The first set maintains the positive relationship between TQM and innovation. The second set sustains the negative relationship. Prajogo and Sohal (2001) concluded that the relationship between TQM and innovation is complex, difficult and indefinite. As per (Martinez-Lorente et al., 1999), Organisations that implement TQM can adapt significant innovations from other organisations, because the enthusiasm of their employees to admit new ideas as a result of the constant improvement which is endorsed by TQM.

The connection between TQM and Organisational Climate is limited in the literature due to less studies were conducted to investigate the impact of TQM on organisational climate. It was found that the relationship between TQM and Organisational Climate is very limited due to some studies support that Organisational Climate is obligatory for TQM implementation. Gao (2003) investigated that Organisational Climate should be measured when implementing new management systems in organisations such as TQM. Kuei et al. (1997) create some prominent association between quality management practices and organisational climate. The high quality-tendency organisations tend to have open organisational structure. They viewed that organisational climate and quality management practices are mutually dependent on one another. Thus, Organisational Climate includes people orientation and organisational structure, which is a major determinant of the quality level that achieved in an organisation. Also, the link between employees' attitudes and organisational climate is very limited in the literature due to no studies were conducted to investigate the impact of

employees attitudes on organisational climate. Bedeian et al. (1981) point out that job satisfaction has a major contrary relationship with both role conflict and role ambiguity. As well Job satisfaction has a negative association with tendency to leave and tension. Organisational climate impacts employee attitudes and behaviour, ultimately on organisational efficacy. Therefore, organisational climate impacts employee attitudes (i.e. job satisfaction), employee behaviour (i.e. creativity), and organisational context (i.e. productivity, and organisational effectiveness).



**TQM and Work Outcomes**

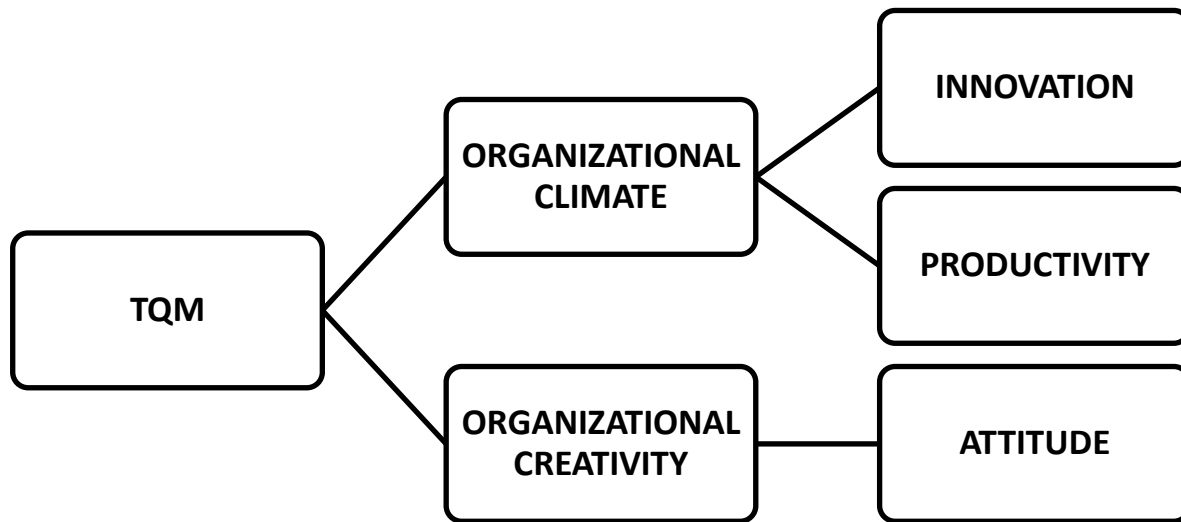
#### **Employees Attitudes, Organisational Climate, and Work Outcomes**

Employee attitudes have a strong and positive relationship with organisational creativity such as motivation that leads to creativity. Mohr (1969) signifies that innovation is believed as a multiplicative function of the motivation to innovate and the balance between the obstacles and resources bearing upon innovation. Therefore, retaining employee creativity at work depends on sustaining their intrinsic motivation. In other words, employees' work that matches well with their strongest intrinsic motivations, creative thinking skills, and expertise will lead to individual creativity (Amabile, 1997). Pascoe et al. (2002) found that job satisfaction impacts motivation to work well and this directly impact employees' willingness to voice new ideas and their willingness to share corporate knowledge. (Patel, 2003), concluded that innovation and organisational creativity are related to the high levels of job satisfaction.

Organisational environment within an organisation plays an important role in motivating or restraining employee creativity (Scott and Bruce, 1994). (Davidson, 2000) viewed that the role of organisational climate is critical in any process of organisational improvement that requires implanting innovation or organisational change. Thus, organisational climate can play a significant role in enhancing productivity by promoting creativity and innovation (Mathew, 2007). (Amabile, 1997) stated that, "The work environment that allows employees to retain intrinsic motivation, which supports their exploration of new ideas, therefore organisations can create a work environment that fosters the stimulants and downplays the obstacles to creativity." Furthermore, Suliman (2001) noted that those employees' perceptions of their work climate play a significant role in their readiness to innovate. Lapierre and Giroux (2003) investigated that creativity work environment is an imperative factor to creativity. The results found that employees agreed with essential motivators to creativity, and these motivators were listed in ascending order: training and development; support and motivation from the top; open policy; recognition; and autonomy and flexibility in the service sectors. Thus, the climate for creativity needs to be approachable to the whole process in organisation (Mostafa, 2005).

Most of the previous studies on the relationship between organisational climate and both organisational creativity and productivity, exposed that organisational climate has a positive relationship with organisational creativity and organizational climate can be supportive for organizational performance also. Overall, organisational climate has many stimulants and obstacles to organisational creativity at individual and organisational level. Therefore, organisational creativity can be enhanced through affecting several factors in an organisational context by providing appropriate work environments that stimulate creativity. However, top management should promote organisational climate that encourage and recognize the efforts of employees towards innovation (Montes et al., 2004). Amabile et al. (2005) provided a consistent evidence of a positive association between positive affect and creativity and no a negative association was argued. The opposite view of the relationship between organisational climate and creativity that

supports organisational climate is not a strong factor in stimulating or inhibiting innovation. For instance, Saleh and Wang (1993) found that the structure of the innovative organisations is more organic and team-oriented than the less innovative organisations, and there is no a significant difference between the innovative and the less innovative organisations related to organisational climate.



**Proposed Model of The Study**

## CONCLUSION

There are limited studies investigating the direct impact of TQM implementation on organisational creativity till date. The relationship between TQM and innovation has conflicting results. The arguments that support a positive relationship between TQM and innovation based on the TQM implementation provides an appropriate environment for innovation due to TQM involves some principles that are congruent with innovation. In the contrast, other scholars support the negative relationship between TQM and innovation due to some principles and practices that could hinder innovation (Prajogo and Sohal, 2003). Whereas, the relevant literature supports that TQM has a positive relationship with productivity.

The present study tries to identify Critical Success Factors of TQM implementation that support organisational creativity, and determine the degree of TQM implementation and its relationship with organisational creativity. This study will examine the impacts of mediators (employee attitudes and organisational climate) in the relationship between TQM implementation and organisational creativity. The importance of TQM can show through enhancing organisational creativity directly through implementing TQM practices (such as teamwork, empowerment, involvement, continuance improvement, and customer focus), and indirectly through creating positive employees attitudes (including job satisfaction, motivation, and organisational commitment) and creating supportive organisational climate for creativity (including trust, organisational encouragement, organisational support, group work support, risk taking, and lack organisational impediments). Consequently, TQM could be in a direct or indirect relationship with organisational creativity. TQM is one of the most important management practices since it stimulates creativity and improves productivity, and therefore TQM creates some changes in organisational context that encourage and approve positive employees attitudes and improve organisational climate.

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