

**INFLUENCE OF DIFFERENT TYPES OF ORGANIZATIONAL CULTURE
ON TOTAL QUALITY MANAGEMENT**

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ABSTRACT

Total quality management is a philosophy that organisations can use to improve their performance. However, organisations often overemphasize TQM techniques and tools. TQM implementation requires a change in total organisational culture in order to shift the responsibility to management, and continuous participation of all in the quality improvement process. Organizational culture construction and enterprises TQM activities lack close contact and cannot really penetrate the quality activities, production of the enterprise, and business operation. This study focuses on the influence of different types (clan culture, adhocracy culture, market culture, hierarchy culture) of organizational culture on total quality management. This study aims to examine the relationships between clan culture, adhocracy culture, market culture, hierarchy culture and TQM practice implementation. Quantitative analysis method has been selected and questionnaire has been employed to collected primary data. A total of 384 questionnaires were distributed to managers, or supervisors, or quality department staffs of Chinese small and medium enterprises located in Henan, China. Respondents returned 139 useful questionnaires, for a response rate of 36.20%. The collected data has been analysed in detail by descriptive statistics, Pearson correlation analysis and simple regression analysis. According to the findings, there are positive relations between clan culture, adhocracy culture, market culture and TQM practice implementation. There is a negative relation between hierarchy culture and TQM practice implementation. We have suggested few recommendations for future research and Chinese SMEs at the end of this study.

ABSTRAK

Jumlah pengurusan kualiti merupakan satu falsafah yang boleh digunakan oleh organisasi untuk meningkatkan prestasi mereka. Walau bagaimanapun, organisasi sering menggunakan teknik-teknik dan alat-alat TQM. Pelaksanaan TQM memerlukan perubahan dalam jumlah budaya organisasi dalam usaha untuk mengalihkan tanggungjawab kepada pihak pengurusan, dan penyertaan berterusan dalam proses peningkatan kualiti. Pembinaan budaya organisasi dan aktiviti-aktiviti perusahaan TQM tidak mempunyai hubungan rapat dan tidak dapat menembusi aktiviti-aktiviti kualiti, pengeluaran perusahaan, dan operasi pemiagaan. Kajian ini memberi tumpuan kepada pengaruh jenis yang berbeza (kaum budaya, budaya adhocracy, budaya pasaran, budaya hierarki) kepada budaya organisasi pengurusan kualiti secara menyeluruh. Kajian ini bertujuan untuk memeriksa hubungan antara budaya suku kaum, budaya adhocracy, budaya pasaran, budaya hierarki dan pelaksanaan amalan TQM. Kaedah analisis kuantitatif telah dipilih dan soal selidik telah digunakan untuk data utama yang dikumpul. Sebanyak 384 soal selidik telah diedarkan kepada pengurus atau penyelia, atau kakitangan jabatan kualiti perusahaan kecil dan sederhana Cina yang terletak di Henan, China. Soal selidik yang boleh digunakan adalah sebanyak 139 dengan kadar tindak balas 36.20%. Data yang dikumpul telah dianalisis secara terperinci oleh statistik deskriptif, analisis korelasi Pearson dan analisis regresi mudah. Menurut penemuan, terdapat hubungan positif antara budaya suku kaum, budaya adhocracy, budaya pasaran dan pelaksanaan amalan TQM. Terdapat hubungan yang negatif antara budaya hierarki dan pelaksanaan amalan TQM. Kami telah mencadangkan beberapa cadangan untuk penyelidikan pada masa hadapan dan PKS Cina pada akhir kajian ini.

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CHAPTER 1

INTRODUCTION

1.1 Introduction of Study

In today's society, with keen competition in all aspects, the requirement of high quality is emerging as the most critical factor by which enterprises can gain competitive advantage. The quality of products or services directly determines a firms' profitability, market share and their ability to survive or develop (Halevy and Naveh, 2000). The delivery of products and services that meet specifications and "fit for purpose" has also become a basic requirement for customers. The ability to provide products of higher quality than the competition has become a significant challenge in order to meet customers' increasingly wants (Curkovic *et al.*, 2000). Therefore, in recent years, quality management has become one of the most widely accepted theories in business enterprises, and one of the most popular research areas (Juran, 1986). As Juran (1986) has put it, international competition requires higher levels of quality management practices by organizations. In order to earn competitive advantage and greater market share, world-class enterprises provide quality products with a competitive price as required by discerning customers through excellent performance (Curkovic *et al.*, 2000). Feigenbaum (1994) further pointed that "Changing a company, from a 'make-it-cheaper-and-quicker past' to a 'make-it-

better future' is perhaps the most demanding work of managers and professionals today".

To meet these higher expectations, total quality management (TQM) has become a worldwide topic in the 21 century, and it is also a strong driver of organizational change. TQM was firstly accepted by some USA and Japanese enterprises in the decades immediately after World War II. During the 1980s, with the significant success of Japanese enterprises, enterprises worldwide observed that in order to stay competitive, it was necessary to have good quality management practices by improving the coordination of their operations and by imposing preventive measures to account for errors, documenting the processes, and defining responsibilities of employees (Lagrosen, 2002). Organizations with international competition have to pay more attention to the total quality management about the theories, techniques, tools and procedures (Rommel, 1996).

Total quality management is a philosophy that organisations can use to improve their performance. However, organisations often overemphasize TQM techniques and tools (Zhang, 2000). TQM implementation requires a change in total organisational culture in order to shift the responsibility to management, and continuous participation of all in the quality improvement process (Lakhe and Mohanty, 1994; Ngowi, 2000). Organizational culture (OC) has been described as the way we think and act, and the way we do things (Schine, 2005). Therefore, it is imperative that we understand and obtain an overall view of the existing dominant culture of an organization before the implementation of total quality management (Zhou, 2002). Successful organizations often have a predominant culture that expresses the core values of the entire organization, and this culture is shared by a majority of its members.

Some scholars have said that quality represents the enterprise of excellence. Quality is specifically embodied in financial reports, is reflected in the mentality of the employees, and can be felt 'in the air' within the enterprise. Only with shared

values and strong leadership morality is the enterprise able to work faster and better than its competitors, meeting the customers' needs economically and efficiently. The attitude of the people is reflected in the way they work, in their strategy selection, and in their methods and tools of applications. Quality management must not only emphasize 'management', but emphasize the heart of wisdom, changing the thoughts and attitudes, which can effectively help an enterprise to succeed (Yu, 2010).

If an organization wants to improve quality, it must first change its view. Staff at different work levels cannot wait for decisions from above, and require independent management and decision-making freedom. This freedom will fully embody the ability and performance of the employees, leading to improved motivation, improved sense of achievement, improved training and the improved exercise of available talent (Zhou, 2002).

Only when quality becomes a way of life is there the possibility through quality management to see customers, employees and shareholders smile with pride, and for supplier's to laugh. In this situation, the market will be stable and profits will increase (Schine, 2005).

1.2 Background of Study

China is one of those developing countries that have the fastest developing speed (Rajesh and Suresh, 2010). In 1978, China created an "open door" economy. China intended to enter the global economy quickly, and major economic reforms have followed. Since that period the country has continued to grow rapidly. Since China joins in WTO (World Trade Organization) in 2001, China's GDP (Gross Domestic Product) growth rate has remained at relatively high levels with an astonishing 10% per annum. However, although China today is the world's second

largest economy, there are only 48 Chinese enterprises in TOP 500 (Britain's Financial Times, 2010). On a more serious note, 23 of these 48 enterprises are from large powerful industries and fields such as banking, power generation, coal mining, telecommunications and petrochemical industry (China Statistical Summary, 2010).

SMEs in China

Small and Medium Enterprises (SMEs) are a vital part of the modern economy for any country. SMEs are an important strength in a modern economy. The development of SME's create many job opportunities and increase the income of the country due to relatively low start-up costs and flexibility in a changing business environment (Rajesh and Suresh, 2010). In most modern economies, SMEs fulfil a number of economic functions, most notably the job opportunities they offer to society. Meanwhile, SMEs are a source of competition for other larger firms together with offering opportunities for customers. And SMEs frequently produce lots of new innovative products and new business ideas to the marketplace (Schaper and Volery, 2004).

Similarly, because of their ability to redistribute wealth, source resources, and provide diversified job opportunities, SMEs are also valued by the Chinese government. Meanwhile, SMEs provide more opportunities for individuals to control their own future than would be the case in an economy dominated by a large public sector and a small number of large corporations. SMEs have become a major part of the national economy and play an important role in contributing to economic development and social stabilization. SMEs are the most vigorous component of China's economy, and are sure to play an important role in the process of globalization of Chinese enterprises. The Small and Medium Enterprises Committee was set up in 1996 to identify issues affecting SMEs and to suggest measures to promote their development (Chen, 2002).

Nowadays, there is no fundamental definition of small medium enterprises around the world. Generally, the definition of SMEs is based on the number of employees within different industries. According to China Economic Department of Statistics (2003), the general size range standards by industry division are as follows:

Table 1.1: The general range of size standards by industry division.

Source: Business Yellow Pages of China, 2010.

Industry	Size of Medium Business (Employees)	Size of Small Business	Sale Volume
Manufacturing	< 2000	<300	300 million
Construction	< 3000	<600	300 million
Mail Business	< 1000	<400	300 million
Transportation	< 3000	<500	300 million
Service Trade	<800	<400	150 million
Retail Trade	< 500	<100	150 million

There are more than 10,230,000 small and medium enterprises in China, representing 99% of all business establishments. They employ at least 80% of the labour force and contribute nearly 40% of all taxation (Business Yellow Pages of China, 2010).

1.3 Statement of problem

Strengthening quality management, promoting product quality levels, and enhancing the economic efficiency of the enterprises have already become the most important question facing business enterprises (Halevy and Naveh, 2000). All enterprises are faced with the problem of ascension, but more serious problems are facing by management of small and medium enterprises especially after they experience the entrepreneurial stage (Rajesh and Suresh, 2010). At present, China's many small and medium enterprise leaders are already aware of the influence of organizational culture on enterprise quality management activities, and strive to strengthen the construction of enterprise culture through continuous efforts. Although some of them have made some progress, other problems have become highlighted, and some of these problems are quite common (Lan, 2000; Zhou, 2002; Cheng, 2005; Yu, 2010).

As the small and medium enterprise have only one or a few products, their enterprise scale is not large, their company structure is relatively simple, management generally has only one way of doing things, staff quality is relatively low, all of which puts these enterprises at a disadvantage in the fiercely competitive marketplace. In this situation, in order to survive, the enterprise focuses only on its current and the present situation, is too busy pursuing short-term benefits, unable to focus on long-term interests which are of greater consideration to the enterprise. And, they usually think that cultural strategy is the business of large companies, and SMEs have no need to make strategic considerations. This has led many leaders of SMEs' to overlook the important role of cultural strategy in quality management, to detriment of the operation of their enterprises (Lan, 2000; Cheng, 2005; Yu, 2010). Besides, many Chinese small and medium enterprise leaders have an erroneous understanding of the existence of organizational culture. They think organizational culture is the external image of the enterprise, and so they focus more on enterprise slogans, and the design of the corporate logo. They just simply think that organizational culture is equivalent to the design of the enterprises' external image design, and do not take strong measures to the core of organizational culture which is

reflected in the spirit of the staff's way of thinking, work, and behaviour habits (Zhou, 2002; Cheng, 2005). Another common view is that organizational culture is equal to the recreational activity of enterprise. This view is rather universal in Chinese SMEs. Many SMEs think that organizational culture consists of the construction of rich and colorful cultural activities, such as hosting a few ball games, in the hopes that in doing so employees will learn and share the purpose of the enterprise spirit. In truth, sports activities are a surface activity, and, to some extent, can promote the mutual understanding between the staff and workers of the community to which they belong. But, if Chinese SMEs only rely on these, rather than the penetration of enterprise culture, need not enterprise culture employees from essentially change shape of the understanding of quality management practices, and less likely provides a cultural support for the enterprise's sustainable development (Zhou, 2002; Cheng, 2005). Moreover, beyond that, there are some other small and medium enterprises that think organizational culture is equivalent to rules. Some SMEs managers think the organizational culture consists of the rules of the enterprise, and as long as the rules and regulations of the enterprise are understood, by the organization strictly implemented by the staff, the construction of organizational culture can be done, and the spirit of the enterprise can cultivate up (Cheng, 2005; Yu, 2010).

Obviously, in current Chinese SMEs, the organizational culture construction and enterprises TQM activities lack close contact. Organizational culture cannot really penetrate the quality activities, production of the enterprise, and business operation (Liu *et al.*, 2006).

As is well known, enterprises differ in their working environment, leadership styles, and work attitude etc. Thus, there is no unique way of implementing TQM. Therefore, it is necessary that enterprises should a better understand of their organizational culture (Mcnabb and Sepic, 1995; Kujala and Lillrank, 2004). Organizational culture and quality management activities promote the development and growth of enterprises and economic benefits improve from different aspects, but closely linked (Cheng, 2005). There are many enterprises failed to implement total

quality management because of an incomplete understanding of the implementation process which requires a fundamental organizational change in the values, direction, and organizational culture within the enterprises (Cameron and Quinn, 1999). It is necessary to undergo and complete a culture change in order to match the requirements of the TQM approach before the implementation of total quality management (Mohammad and Rad, 2006). In 2000, Ngowi alike pointed that TQM implementation requires foremost changes to organizational culture and the basic beliefs and values which is share within an organization, and shape the employees behaviours and practices of the organization. This is the reason that numbers of enterprise nowadays are try to identify OC before implementing TQM programme in their enterprises (Stock *et al.*, 2007; Sarah *et al.*, 2010).

Therefore, there are some researchers are having the focus on the relations between different types of organizational culture and TQM activities.

Market culture which is customer-oriented contributes to achieving the best business performance and the most favourable organizational culture in market competition (Deshpandé *et al.*, 1999; Yu yang, 2010). However, some scholars have suggested that market culture may be bad for business effectiveness and business-to-business relationships, that it relates negatively to TQM Baldrige score (Paulin *et al.*, 2000; Stoica and Schindahute, 1999; Dellana and Hauser, 1999).

Clan culture, a people-centred culture, emphasizes employee empowerment, employee involvement, and is the prevalent and most popular culture for organizations' quality performance and could contribute to the implementation of TQM practises (Tata and Prasad, 1998; Liu *et al.*, 2006).

Similarly, adhocracy culture which is characterized by innovation, individual risk-taking, freedom and uniqueness provides the best and optimal working

environment and is more conducive to successful implementation of TQM (Al-Khalifa and Aspinwall, 2000; Dellana and Hauser, 1999).

On the other hand, hierarchy culture which is characterized by predictability, conformity, employment, and stability in relationships is harmful to business performance and TQM practice implementation (Deshpandé *et al.*, 1999).

However, the effect of organizational culture on TQM is a new concept for Chinese academics (Liu *et al.*, 2006; Yu, 2010). Academic research is still in its infancy; however it is becoming the focus of more and more attention within Chinese academic circles (Zhou, 2002; Cheng, 2005; Liu *et al.*, 2006; Yu, 2010). At the same time, there is much Chinese literature covering all areas of total quality management, but some of them ignore the influence of organizational culture on total quality management. More to the point, there is a lack of studies on the relationship between different types of OC and TQM practice implementation (Yu, 2010).

Moreover, beyond that, previous research has been mainly carried out in large enterprises. There is a lack of studies on the relationship between organizational culture and TQM practice using Chinese small and medium enterprises, combined with a lack of concrete Chinese practices. This has led to hardly enough theoretical support for the practices of Chinese SMEs (Cheng, 2005; Liu *et al.*, 2006; Yu, 2010).

Considering the above problems, the SMEs in China are experiencing pressure from all sides, especially organizational culture and total quality management. Thus, it is necessary for Chinese SMEs to conduct research that fills the gap in the relation between different types of OC and TQM practice implementation. This will also yield more competitive benefits for Chinese SMEs in both the practical and theoretical worlds.

1.4 Research Questions

Hence, the research questions are:

1. Is there any relationship between Clan Culture and TQM practice implementation?
2. Is there any relationship between Adhocracy Culture and TQM practice implementation?
3. Is there any relationship between Market Culture and TQM practice implementation?
4. Is there any relationship between Hierarchy Culture and TQM practice implementation?

1.5 Objective of Study

1. To examine the relationship between Clan Culture and TQM practice implementation.
2. To examine the relationship between Adhocracy Culture and TQM practice implementation.
3. To examine the relationship between Market Culture and TQM practice implementation.
4. To examine the relationship between Hierarchy Culture and TQM practice implementation.

1.6 Significance of Study

In order to achieve the research objectives, it is necessary to carry out a study to examine and analyse the relation between different types of OC and TQM practice implementation; to make suggestions and recommendations to improve TQM practice implementation of Chinese SMEs; and to provide diversified benefits to both enterprise practices and academic perspective.

The study will also create awareness to help future researchers to study intensively the influence of organizational culture on total quality management in this situation. It is believed that the findings will provide meaningful resources to academic communication.

From the findings of this study, Chinese SMEs will understand how to create closer ties between OC and TQM activities, and how to make OC really penetrate the TQM activities. The recommendation for enterprises will provide significant guidelines to enhance competitive strength by improving the TQM practice implementation of Chinese SMEs. This will also yield a more competitive environment in the market place for Chinese SMEs. This study will serve as reference material to other Chinese and SMEs around the world.

1.7 Scope of Study

In the international market environment, the encouragement of innovation to accelerate the process of commercialization, industrialization and internationalization is the most important thing for SMEs, along with designing quality products and services to meet international standards; however, large numbers of SMEs still only

pay attention to domestic markets (Rajesh and Suresh, 2010). By the same token, for the China government, SMEs are also the major part of the national economy and they play an important role in contributing to economic development and social stabilization, as well as play an important role in the process of globalization of Chinese enterprise (Chen, 2002).

Hence, the problems faced by small and medium-sized enterprises concerning the influence of different types of OC on TQM practice implementation have become an increasingly hot issue both in industry and in the research field.

This study will be conducted among Chinese SMEs. Obviously, this study is difficult to survey total population and all the areas of China. Thus, this study will be carried out in north eastern China, with added focus on Henan province. Henan province is the old industrial base, an underdeveloped region, and the most populous province in China. The health of the enterprises in this area is the main focus of the Chinese government.

The respondents obtained from Henan province which by using random sampling method. Respondents of the questionnaire used to collect data are managers, or supervisors, or quality department staffs selected from SMEs in Henan province.

1.8 Limitation of Study

This study has focused on the influence of organizational culture on total quality management in SMEs in mainland China, but the questionnaire cannot survey

the whole area of the Chinese mainland due to the limitations of financial support and time, and will thus limited to Henan province.

The data was collected by using questionnaire however its reliability and accuracy are even more depending on the respondents' answers. In few cases, some of the respondents gave the dishonest feedback that aiming to benefit their organizations' reputations, leading to the reduction of the accuracy and reliability of this study.

1.9 Outline of the study

Chapter 1 develops the proposal overview in which it includes the purpose and problem statement, research questions of this study, the significance and the scope of this study. As for Chapter 2, it presents the synopsis of the literature surrounding the theory of TQM and OC. It then followed by Chapter 3 that evaluates the research method of this study for data collection and the data analysis. Chapter 4 provides detailed explanation of the findings from the questionnaire. Lastly, from the questionnaire result, Chapter 5 presents the recommendations and conclusion of the study.

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