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The Impact of TQM Practices on Organizational Performance in Palestinian Banks

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Abstract

The aim of this study is to examine the relationship between TQM and organizational performance of services sector in Palestine. Palestinian Banks were taken as an empirical study case. Organizational performance is an important and comprehensive tool for measuring the organization's performance towards the fulfillment of its goals and strategies by showing the variance between organization's actual situation and planned strategies.

A questionnaire was used to collect the primary data from the research sample. It was developed following a review of various references to serve the purpose of the study. The researcher distributed 120 questionnaires randomly (by hand) at 11 banks in the West Bank. Only 111 questionnaires were usable. The target group of this study was the Banking in Palestine, where the focus was on departments in banks that have an impact on the variables of the study. Managers, vice managers and department heads were targeted. TQM was measured through eight practices divided into two groups: the first group is human-related practices (soft TQM): management commitment, customer focus, employee relations, training and management of suppliers. The second group is practices related to non-human practices (hard TQM): product design or service, process design, and data reports.

The study concluded that there was a positive relationship between TQM and organizational performance. The study showed that the commitment of management is the most important practice and it is linked to the organizational performance followed by training and product design.

The study recommended that banks should establish a quality management department and activate their role by giving it essential powers as well as commitment of the

management to the idea of total quality because of its importance according to the results of the study. It also recommended that the role of the training department in banks should be activated and upgraded so as to raise the efficiency of employees by offering them up to date courses on efficient performance methods. The study also recommended that it was important to design the service in a modern and competitive manner and involve customers in the process of products design and services.

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Table of Abbreviations

TQM	Total Quality Management
SOFT TQM	SOFT Total Quality Management
HARD TQM	HARD Total Quality Management
OP	Organizational Performance
ISO	International Organization for Standardization
MOA	Monetary Authority
SPSS	Statistic Package for Social Science
ANOVA	Analysis of Variance
ROA	Return on assets
LTD	Loans to deposits ratio

Chapter one: Introduction

Background

In the recent years, Total Quality Management (TQM) became a worldwide way of thinking, thanks to it is significance and effectiveness in managing businesses and strategies; TQM has a big role in maximizing profits and minimizing wastes by continuous improvements on all aspects. The technological revolution and globalization in the world constitute a real challenge for local companies to stay on track.

TQM is defined as: " a whole management philosophy that attempts to continuously improve all functions of an organization and it can be accomplished only if the total quality concept is utilized from the acquisition of resources to customer service after the sale " (Kaynak, 2003).

Organizational performance is "a significant total measurement key that represents how the organization is doing toward its objectives and strategies by displaying the difference between the actual situation and the planned strategies, mission, vision and goals " (Organizational performance .n.d.).

Evaluation is one of the most important roles in successful management. After implementing the strategies and the procedures, organizations management should evaluate the whole situation and measure the gap between what is planned and what is performed so as to identify points of success, failure, opportunity and weakness so that the organization becomes more aware of its capabilities in order to survive in the market competition and here comes the importance of organizational performance.

The relationship between total quality management and financial performance has been a subject of study by many researchers; some like (Ittner and Larcker, 1996; Hendricks and Singhal, 1999; Easton and Jarrell 1998) indicated that implementing total quality management effectively improved long-term profits and stock returns. Also according to

Flynn, Schroeder and Sakakibara (1995), more intensive TQM practices lead to more improvement in quality performance.

Parjogo and Sohal (2001) studied the relationship between TQM and innovation; they found two arguments, the first argument showed a positive relationship between TQM

and innovation and that is due to the ability of TQM in establishing an environment and bases which help innovation. The second argument found out that it would delay innovation in the organization whenever they implement TQM principles.

The services sector is as equally important as the manufacturing sector to the economy in any country. Health care institutions, universities and schools, hotels and financial institutions like banks and insurance companies are examples of services organizations which now can implement TQM philosophy and confirm that excellence is not an exclusive idea for the industrial market. These companies have a significant contribution to the economy by providing thousands of job opportunities to graduates; also they take their social responsibilities which link them with the surrounding environment in their societies.

Problem statement

This quantitative empirical study examined the relationship between TQM and the organizational performance of Palestinian Banks in the West Bank and showed the importance of the TQM in the services sector. Based on the researcher's Banking experience, he noticed that there is a shortage in the implementation of TQM principles in Palestinian Banks, as a result, that motivated the researcher to embark on this. It is hoped that this study would contribute to bridge the gap and help top management to draw strategies and plans using helpful extracts from this study.

After searching the literature, the lack of implementation of TQM in Palestinian Banks may be referred to many reasons such as; lack of awareness about TQM in top management levels, unavailability of quality experts, shortage of resources and absence of knowledge update in the field. Therefore, without studies discovering the reasons that lead to this lack of implementation of TQM in Palestinian Banks, no intervention can be conducted to improve the implementation of TQM positively Palestinian Banks.

Research questions

The main questions of this study were:

1- Is there a relationship between TQM and organizational performance in Palestinian Banks?
2- What is the degree of implementing TQM principles in Palestinian Banks?

The sub questions of this study were:

1- Is there a relationship between soft TQM and organizational performance in Palestinian Banks?
2- Is there a relationship between hard TQM and organizational performance in Palestinian Banks?
3- What is the degree of implementing soft and hard TQM principles in Palestinian Banks?

Importance of the study

This study should help top management in the services sector, especially Banks, to plan, do, check, and act (PDCA) their plans, strategies, and procedures efficiently in their organization by introducing TQM knowledge and illustrating its importance to modern business environments and filling the gap which resulted from the absence of TQM in Palestinian banks.

Study objectives

The two main objectives of this study were:

- To examine the relationship between TQM and organizational performance in Palestinian Banks.
- To find the degree of implementing TQM principles in Palestinian Banks.

Testing hypotheses

Hypothesis One

H1 : There is a significant relationship between soft TQM and OP.

Sub Hypotheses were:

H1a : There is a significant relationship between management commitment and OP.

H1b : There is a significant relationship between customer focus and OP.

H1c : There is a significant relationship between employee relations and OP.

H1d : There is a significant relationship between management of suppliers and OP.

H1e : There is a significant relationship between training and OP.

Hypothesis Two

H2 : There is a significant relationship between hard TQM and OP.

Sub Hypotheses were:

H2a : There is a significant relationship between product design or service and OP.

H2b : There is a significant relationship between hard process design and OP.

H2c : There is a significant relationship between hard data reports and OP.

Chapter Two: Conceptual Framework

Conceptual definitions

"A conceptual framework is described as a set of broad ideas and principles taken from relevant fields of inquiry and used to structure a subsequent presentation". It can be used effectively in research to help make sense of the study findings (Smyth, 2004, p.1).

Organizational performance defined as " to how the organization able to consume the available resources in the production process that meet its goals " (Peterson, Gijsbers and Wilks, 2003).

The conceptual framework of this study was designed to study factors that have an impact it on the organizational performance based on previous literature. A model based on the literature of organizational performance of Banks, shows that organizational performance were directly affected by the **socio-economic characteristic**; number of employees, number of bank branches, the balance of bank's credit facilities in dollar, the balance of bank's deposits in dollar, the paid up capital, the balance of total assets and years of experiences and by **TQM including;** SOFT TQM and HARD TQM as shown in figure (2.1).

Conceptual Framework

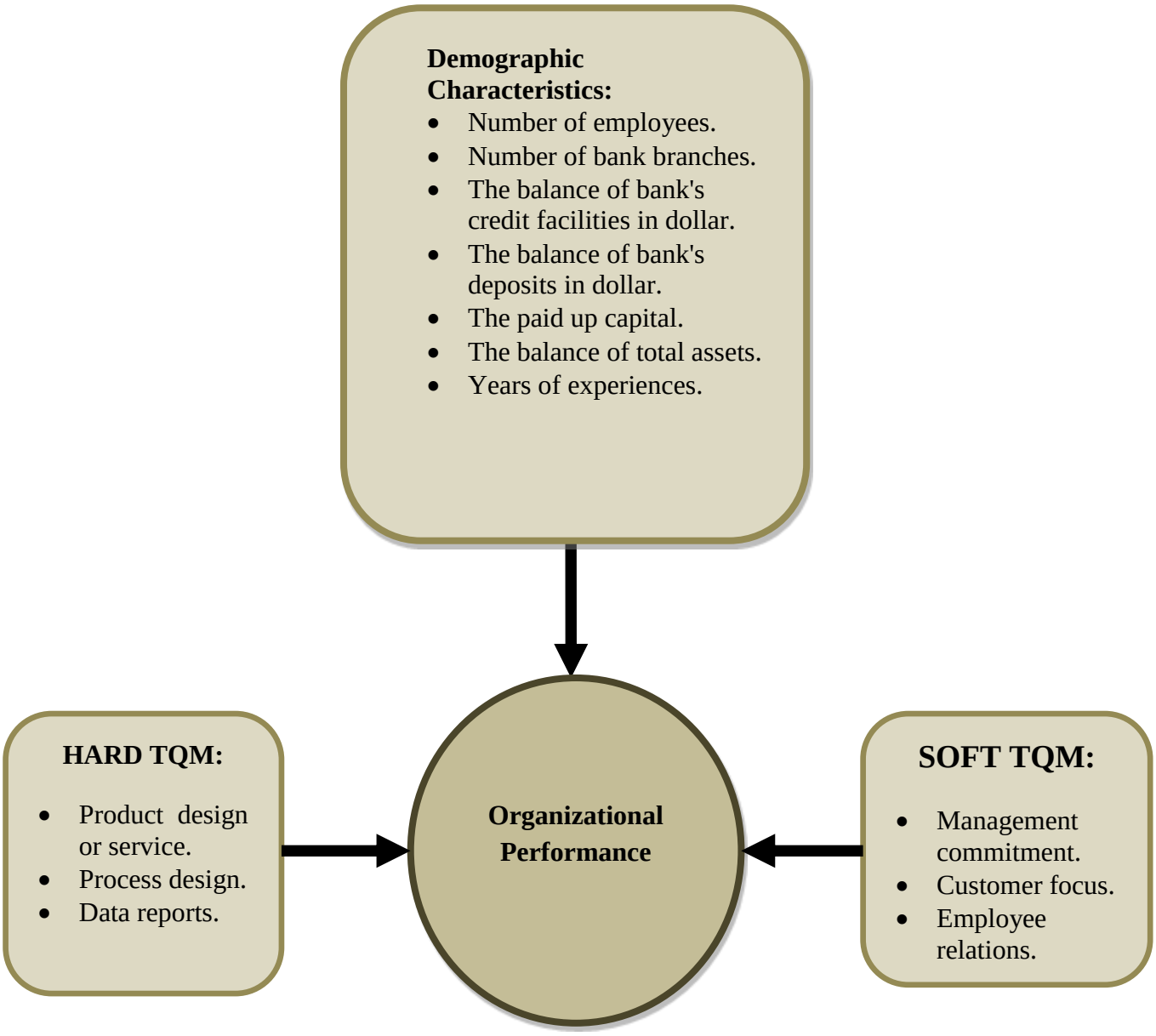

Figure (2.1): Conceptual framework of the study; factors affecting the organizational performance of Banks in West Bank of Palestine

Conceptual Definitions

TQM is defined as: " a whole management philosophy that attempts to continuously improve all functions of an organization, and it can be accomplished only if the total quality concept is utilized from the acquisition of resources to customer service after the sale " (Kaynak, 2003).

Total quality management is defined as " the fourth stage of quality evolution which has been defined differently by different quality pioneers ". Dale (2003) defined it as " a common co-operation of each person in an organization to meet and exceed customers' expectations by producing products and services ".

TQM is defined as " a system that is mainly based on taking feedback incessantly to improve services and products by many methods and techniques " (Zheng and Zhao, 2009).

Organizational performance is defined as " a significant total measurement key that represents how the organization is doing toward its objectives and strategies by displaying the difference between the actual situation and the planned strategies, mission, vision and goals " (Organizational performance .n.d.).

ISO 8402-1986 is defined as ; " is the essential and distinguishing attribute of something and the totality of features and characteristics of a product or service or the ability to satisfy a given need or implied need " (Oakland, 2000).

Meeting customers' expectations is defined as " the primary aim of quality control process as always; in this stage some work may be needed like forms control, quality planning, inspection of the product/service and measurement of performance based on standards through basic statistics " (Drummond, 2001).

Employee Encouragement is defined as " a significant tool for effective implementation of TQM; therefore, employees should be encouraged, through rewards and recognitions, for their efforts, suggestions, achievements and contributions " (Talib and Rahman, 2010).

Training is defined as " an organized, systematic series of activities designed to enhance an individual's work-related knowledge, skills, understanding, and motivation ".

Also **Training** is defined as " distinguished from education by its characteristics of practicality, specificity, and immediacy. Education is a broader concept that is more philosophical and theoretical in nature than training " (Goetsch, 2016).

TQM principle product design is defined as " the degree to which organization levels participate in the design process and give their ideas to achieve clear specifications about the product and to which an organization emphasizes productivity and quality to avoid frequent redesigns ".

Deming (1993) defined the **process improvement** as the action of " continuously reduce waste and continuously improve the quality in all activities: procurement, transportation, engineering, maintenance methods, location of activities, tools and measures, sales, distribution methods, accounting, payroll and customer service " (Gitlow and Gitlow, 1989).

Financial Performance: is measured in terms of " annual sales, sales growth, profitability, growth in market share, and return on assets " (Wilson and Collier, 2000; Douglas and Judge, 2001; Kaynak, 2003, Kaynak and Hartley, 2008).

Customer Satisfaction: According to Anderson et al., (1994) they stated that customers satisfaction was " the extent to which the customers felt that their needs and desires were met by the products or services that the company offered, and that could be measured by the degree of firm response to its customers complaints and claims ".

Employee Satisfaction: is defined as " the degree to which employees like their jobs " (Spector 1997; and Lam 1995).

Dependent variables

The dependent variable was organizational performance.

INDEPENDENT VARIABLES

The independent variables of the questionnaire are as follows:

TQM including; SOFT TQM such as management commitment, customer focus, employee relations, management of suppliers and training and **HARD TQM** such as product design or service, process design and data reports.

Demographic variables such as number of employees, number of bank branches, the balance of bank's credit facilities in dollar, the balance of bank's deposits in dollar, the paid up capital, the balance of total assets and years of experiences.

Chapter Three: Literature Review

Quality Definition

The word quality was addressed and defined by several quality experts; Juran (1974) stated that quality indicated fitness for use which means that the quality of a product is determined by the user. However, Crosby (1979) indicated that quality is the " conformance to requirements ", and that shows that it depended on the extent to which the product's features conform to the requirements of customers.

According to Deming (1986), the need of consumers is key element in defining quality, taking into consideration present and future needs. ISO 8402-1986 has many definitions for the word quality; for example, it is the essential and distinguishing attribute of something and " the totality of features and characteristics of a product or service " or the ability to satisfy a given need or implied need. Deming (1986) also argued that it is the predictable degree of uniformity that provides reliability at low cost and appropriateness for the market. Quality means meeting the customers' requirements which may include availability, delivery, reliability maintainability and cost (Worlu & Obi, 2019).

Evolution of TQM

Before the terminology of " TQM " was created, many efforts and processes over the years had taken place to formalize this definition. The history of quality management can be traced back several years ago. The idea started when expert craftsmen, evaluated the final work of new workers and examined it in order to ensure that the quality standards of their job were met to achieve and get customer satisfaction. According to Garvin (1988) and Dale et al. (2013) quality development has four stages: Inspection, Quality Control (A statistical control era), Quality Assurance and finally Total Quality Management.

Figure 3.1. Stages of the quality evolution. Source: Adapted from Dale (1999) (Dale et al., 2013).

First Stage: Inspection

The inspection is considered as the early emergence of the notion of quality and the first stage which was lasted from the beginning of the 19th century up to the 3rd decade of the 20th century. At this stage, Henry Ford hired a group of employees (supervisors) to supervise and check others' work. He also set numerous of quality-related points and standards in his book, " My Life and Work ", that was considered later as "industrial bible" to Japanese companies (Saad and Siha, 2000). In this stage, other works had been done like sorting, classifying and taking corrective action to achieve the designed standards of a product or service (Drummond, 2001).

Second stage: Quality Control (A statistical control era)

Garvin (1988) identified this stage by statistical era since the use of statistical tools, like a cause-effect analysis and other tools, tries to identify the defects and the causes of failures in the production process of the products. Meeting customers' expectations is the primary aim of quality control process as always; in this stage some work may be needed like forms control, quality planning, inspection of the product/service and measurement of performance based on standards through basic statistics (Drummond, 2001).

Third Stage: Quality Assurance:

This stage mostly prevailed during the sixties and seventies of the last century. The main idea at that time was to build quality points rather than inspection; the responsibility of assuring quality should be held and distributed on all divisions and workers at all levels of the organization (Garvin, 1988).

However, Dale (2003), argued that in order to reach preventing failures stage rather than detecting it, organizations need more than a set of tools and techniques. Instead, they need to develop new operating environment and styles which require management commitment and a new line of thinking.

Fourth Stage: Total Quality Management (A Strategic Management era)

Garvin (1988) and Dale et al. (2013) stated that TQM emerged at the beginning of 1980 as an administrative approach that focused on quality in all levels of the organization and demanded an effort from everyone to achieve success on the long run. The main idea and goal could be reached by satisfying customer's needs and expectations which became more specific and at higher levels due to exposure and access to international markets especially Japanese markets which strongly affect American markets.

At that stage, Deming was the man of the hour regarding to his participation and experience with the Japanese companies, so he talked about total quality concept which entails the following main points:

1. Quality should cover all processes.
2. Training must be continuous.
3. Making employees' goals meet the company's goals.

4. Raising the level of effective communication between managers and their subordinates.
5. Adopting the notion of continuous improvements (Flores-Molina, 2011).

TQM Definition

Total quality management is the fourth stage of quality evolution which has been defined differently by different quality pioneers. Dale (2003) defined it as " a common co-operation of each person in an organization to meet and exceed customers' expectations by producing products and services ". According to Kanji (1990), TQM is the commitment to continuous improvements in order to satisfy customers' needs. Goetch and Davis (2010) noted that it is, " A concern for quality in the broadest senses that refers to the quality of products, services, people, processes, and environments ". Oakland (2003) thought about TQM as a comprehensive way to plan and organize the activities of the processes by sharing it with all employees from each level of the company in order to raise effectiveness and flexibility.

TQM is "a system that is mainly based on taking feedback incessantly to improve services and products by many methods and techniques " (Zheng and Zhao, 2009). Palo and Padhi (2005) defined TQM as " a whole system that leads to satisfying customers' needs by seeking for continuous improvements in products and services through using the latest technologies and training ". Meanwhile, Kaynak (2003) believed that it is a managerial way of thinking that looks for improving all activities and processes in the organization and that could only be reached if the principles of total quality management were adopted starting from the first activity, purchasing the resources and ending with post-sale care .

The Importance of TQM

Total quality management has significant benefits to organizations that implement it; these benefits are mainly improvements in the quality of the services and products, enhancement and optimization of firms' performance (Hoang et al., 2010). According to Crosby (1995) quality is the most important factor for the success of any developing society. To develop a nation; they must increase their trade activities and develop in a sustainable way to improve the quality of their products and services.

The gurus of Total Quality Management (TQM) such as; (Dale, 2003; Kanji and Moura, 2001; Oakland, 2000) who were pointed out it is numerous advantages, like

improving business results, customers and employees satisfaction, assisting nearby environment, improving managerial skills of the organizational top management. They believed that total quality management principles were the bases for any successful management. Adopting the TQM philosophy will:

1. Increase competitiveness of the organization.
2. Establish a new culture which leads to growth and durability.
3. Identify customer needs.
4. Provide a working environment in which everyone can succeed.
5. Reduce waste.
6. Build teams, partnerships and co-operation.

TQM practices

A significant number of empirical studies on the practices of TQM exist in the literature. Quality gurus, such as Juran; Deming (1993); Crosby (1995); Mondon and Feigenbaum and others, discussed the importance of some critical factors of quality management (i. e. top management leadership for quality, employee involvement in quality, employee training, and supplier quality management) (Saraph et al., 1989).

Empirical studies of TQM began to increase after 1989 when the practices of TQM were first identified by Saraph et al. (1989). The literature identified that the CSFs of TQM range between four and twelve factors (Karuppusami and Gandhinathan, 2006).

Flynn et al. (1994), Ahire et al. (1996), Zhang et al. (2000), Motwani (2001), Tari (2005), and Fotopoulos and Psomas (2009) unanimously agreed that TQM practices are mainly:

- Top management leadership for quality.
- Employee involvement.
- Employee training.
- Supplier quality management.
- Product design.
- Process design.
- Quality data and reporting.
- Customer focus.

An attempt was made by Lewis et al. (2006) to compare similarities and differences among practices. They categorized these practices into two groups: soft factors and hard factors. According to the study, the majority of the top ten practices are soft factors, while only three factors are hard ones. For example, customer focus and satisfaction, training of employees, top management, teamwork, employees' involvement, continuous improvements and supplier management as soft factors, while information and performance measurement, process .management and product design are hard factors

Soft TQM gathers the human features of TQM, while hard TQM includes practices based on technical and methodological issues. Soft and hard factors should be related and work together in order to gain effective results. TQM successful implementation stands at both dimensions of TQM, so it cannot work separately from each other (Hackman and Wageman, 1995).

Soft TQM

Leadership and Top Management commitment

Top management commitment is when managers adopt quality responsibility including comprehensive quality planning, quality schedule, evaluation quality and participation in quality improvement efforts (Saraph et al., 1989). Hirtz, Murray and Riordan (2007) argued that leadership can be defined as "the process that managers use to influence subordinates to work towards the goals of the organization."

Ebrahimpour (1988) and Kaluarachchi (2010) argued that top management has an important role in the improvement of the organization by creating values, establishing procedures and setting objectives to meet customers' expectations. Also Ahire et al., 1996, Lee et al., 2003 believe that top management commitment is a core drive of quality management implementation through creating quality values, smart quality goals, and a whole quality system.

The top management must also put forward strategic planning of Total Quality through identifying long-term goals that the organization wants to achieve, and they must work to change the organization quality culture; it takes time, courage, commitment, and it needs profound knowledge, as noted by Deming (1993).

Rao (2008) believed that organizations these days need that kind of leaders who have multi and different skills that lead their companies to a brighter future. He also thought that

creating system, leading an organization and commanding deep commitment from employees and others who interact with the organization such as customers and suppliers are necessary qualities of successful leaders.

Oakland (2000) and Deming (1986) identified five requirements for effective leadership:

1. Clear mission statement and objectives
2. Clear effective plans and strategies
3. Defining major success factors and processes
4. Setting management structures
5. Employees should participate in improvements practices through (PDCA) circle

Customer focus

Customer focus is the main goal of quality management; it is to meet or go beyond customer expectations (Fuentes et al., 2007). Customer's satisfaction depends on meeting and exceeding customers' expectations and that is what customers' relationship management should focus on (Mithas et al., 2005).

The major factor of implementing quality management is maintaining a close relationship with customers in order to completely identify their needs, as well as taking into account customers' feedback on the current product/service and how their needs are being met. The customer should be involved in product/service design and development processes. In this way, customer involvement reduces quality problems in the production process (Flynn et al., 1994).

The method of customer orientation is very important in quality. " The rationale for this method is the belief that customer satisfaction is the most important requirement for long-term organizational success, and needs the entire organization is focused on satisfying their needs " (Llorens and Sources,2001). According to Zairi (1994) measuring customer satisfaction is a cornerstone of TQM and monitoring it continuously could be a worthy source of information for all strategic analysis and management decisions.

Cheng and Chiu (2008) explained the importance of customer focus by studying the critical success factors of business process re-engineering in Hong Kong's banking industry, and they found that customer focus was the second top critical factor and it was the only one that has a significant relationship with firm's performance.

Employees' empowerment and involvement

There are significant differences between involvement and empowerment. Involved employees give their input, but they do not have ownership of their jobs. Empowered employees have ownership of the processes they are responsible for and the products or services generated by those processes (Goetsch, D.L.& Stanley, D. 2010). Employees need to participate in the improvement activities at all levels and there must be channels of communication between levels (Baidoun and Zairi, 2003).

According to Lawler et al. (1995) employee involvement can be characterized by the use of the following practices:

- Sharing power: Many practices give employees a degree of control or let them have input into decisions related to their work, such as participative decision-making and job enrichment.
- Rewards: Reward systems link compensation, promotions, and recognition to individuals, groups, and organizational performance.
- Knowledge: Employees should be provided with knowledge and skills at all levels through their career to enable them to be updated of all that is new in their field of specialization.
- Sharing information: Employees should know about company and work group goals, as well as share performance feedback.

Employee encouragement is a significant tool for effective implementation of TQM; therefore, employees should be encouraged, through rewards and recognitions, for their efforts, suggestions, achievements and contributions (Talib and Rahman, 2010).

Training

Training is " an organized, systematic series of activities designed to enhance an individual's work-related knowledge, skills, understanding, and motivation. Training is distinguished from education by its characteristics of practicality, specificity, and immediacy. Education is a broader concept that is more philosophical and theoretical in nature than training" (Goetsch, 2016).

Training and education may contribute to the improvement of confidence of employees and develop their personal skills (Tsang and Antony, 2001). Deming (1986) talked about the importance of training and education for incessant development in the

organizations and stated that the employees were the organization's most valuable resource which can be improved over time.

According to Baidoun and Zairi (2003) training for employees must focus on TQM concepts, technical skills, and problem-solving skills and it must ensure that all employees have the needed knowledge and experience. Ishikawa (1985) stated that quality begins and ends with training. After employees' participation in training, they must have the opportunity to try what they have learned and test their skills (Rumane, 2011).

Supplier management

Good supplier quality management is significant, so it gives opportunities to companies to make supportive and long-term relations with their suppliers, to lookout on supplier performance, participate in suppliers' quality activities, help suppliers to improve their product by giving some feedback (Zhang et at., 2000). Also they found that selection of suppliers should depend on their products' quality in the first place.

According to Zairi and Baidoun (2003) selecting suppliers' criteria must depend mainly on their ability to meet the organization's requirements. Also, they argued that low quality of the supplier's products caused unneeded costs for the company. Selecting suppliers based on quality can help to improve the quality of service; therefore, supplier quality management has become an essential element of the TQM program (Talib and Rahman, 2010).

Companies must worry about quality at all stages of production processes, so the role of suppliers is a critical factor in quality management in many points. For example, the quality of suppliers' materials determines the level of inspection process needed, product quality, and capability of suppliers to respond to customers' needs (Ahire et al., 1996).

Hard TQM

Quality Data and Reporting

Gotzamani and Tsiotras (2001) defined quality data and reporting as the extent to which quality data is collected, monitored and used to help in putting forward strategies and improving quality-related processes.

Gathering information and analysis is the practice of quality which measures the effectiveness of collected data by the company and analyzes such data for planning and

improving their business results. The importance of information and analysis has been quite widespread and underlined in some studies (Wilson and Collier 2000; and Lee et al. 2003). Furthermore, Kaynaket al. (2008) added that the one of the most important factors of TQM is collecting and studying information.

Quality experts like (Crosby 1979; Deming 1986; and Ishikawa 1985) argued that in order to continuously improve quality; the company needs a steady flow of accurate information from many sources such as suppliers, customers, employees and vendors about the processes that produce a company's products.

Information about the cost of poor quality like rework, scrap, and warranty costs is very important for the company and it can be obtained by analysis tools such as control charts which help to have a better design of products and services. Also, they can detect areas of weakness that need corrections by studying the quality data that give them some guidelines to solve problems (Ho et al. 1999; Choi and Eboch 1998).

According to Ho et al. (1999) quality data and reporting can influence quality performance, more specifically, timely quality data provide feedback on quality performance, and enable the identification of the need whether to take corrective action for solving any problems related to quality.

Product Design

Saraph et al. (1989) defined TQM principle product design as the degree to which organization levels participate in the design process and give their ideas to achieve clear specifications about the product and to which an organization emphasizes productivity and quality to avoid frequent redesigns.

Product/service design is a vital element of quality management (Flynn et al., 1994; Zhang et al., 2000). Product design converts customer expectations to meet their needs into specific characteristics and specifications (Juran and Gryna, 1993).

All departments must participate in the development of product design, as this participation helps to certify that the problems during the production process can be avoided before the product reaches customers' hands (Deming, 1986; Juran and Gryna, 1993).

Product design helps to improve product quality to be better than that of competitors and increases competitive value of the company in the market (Juran and Gryna, 1993). According to Kaynak (2003), effective product/service design is directly related to efficient process management.

Process Management

Deming (1993) defined process improvement as the action of "continuously reduce waste and continuously improve the quality in all activities: procurement, transportation, engineering, maintenance methods, location of activities, tools and measures, sales, distribution methods, accounting, payroll and customer service " (Gitlow and Gitlow, 1989).

Deming (1986) stated that the most important benefit of process management is that it helps an organization to understand how things are really done. Process management also helps to:

1. Reduce lead times.
2. Decrease costs.
3. Improve internal efficiency.
4. Improve overall quality.
5. Increase customer and employee satisfaction.

According to Saraph et al. (1989) process management organizes steady work distribution and production schedules to reduce variations and improve product quality. Process management includes proactive and preventive approaches to quality management practices, such as determining process and operating procedures, using of statistical process control SPC, designing fool-proof process, PDCA cycle, QC tools, and sampling and inspection (Saraph et al., 1989; Zhang et al., 2000).

Ensuring that the production process can meet customer requirements is one of the most important aspects of process management; another aspect is equipment maintenance which keeps the production process running smoothly and keeping variation acceptable (Zhang et al., 2000).

Organizational performance measurement

- **Performance Measurement**

Peterson, Gijsbers, and Wilks (2003) defined organizational performance as " to how the organization able to consume the available resources in the production process that meet its goals. Organizational performance also described by Barney (1995) and Lushaus et al. (2002) as the evaluation of the firm's value created by measuring three major elements (efficiency, effectiveness, and relevance) of organizational performance and the expected value that the firm's management expects to have from the work.

Performance could be measured in many ways. In order to check the relevance of organizational performance and total quality management, three major kinds of organizational performance could be studied: financial and market performance, quality performance and inventory management performance (Kaynak and Hartley 2008).

There are studies that consider employees satisfaction and customer satisfaction as major elements in measuring organizational performance like (Spector 1997; Lam 1995; Choi and Eboch 1998; Forza and Flippini 1998).

- **Financial Performance**

  Financial performance is measured in terms of annual sales, sales growth, profitability, growth in market share, and return on assets (Wilson and Collier, 2000; Douglas and Judge, 2001; Kaynak, 2003, Kaynak and Hartley, 2008).

- **Operational Performance:**

  Corbett and Van Wassenhove's model (1993) considers the measurements of the performance include three aspects:

  1. Cost
  2. Quality
  3. Time

This model measure the productive time in relation to the total numbers of hours of work done by direct staff, percentage of defective products in process, just in time system which is related to the material received to the time the product is delivered to customer, innovations like increase of new products, and rate of inventory turns.

- **Customer Satisfaction:**

  According to Anderson et al.,(1994) they stated that customers satisfaction was the extent to which the customers felt that their needs and desires were met by the products or services that the company offered, and that could be measured by the degree of firm response to its customers complaints and claims.

- **Employee Satisfaction:**

  Employee satisfaction can be defined as the degree to which employees like their jobs (Spector 1997; and Lam 1995). This is measured through work environment, time needed to resolve employee complaints, and participation in decision making.

Banking Sector in Palestine

Banking sector is one of the major economic sectors in Palestine, and its importance comes from many dimensions like creation of career opportunities and loans that help Palestinian people to start up their own businesses and homes. Dr. Saif al-Din Odeh, head of monetary policy and financial markets at the Monetary Authority said that the volume of credit facilities provided by banks operating in the Palestinian Territory during the year 2018 was $ 8420 million; $ 7466 million in the West Bank, representing a growth rate of 6.1% and $ 954 million in the Gaza Strip (Banks in Palestine, 2019).

He also pointed out that the Monetary Authority licensed and opened many branches of banks in the Gaza Strip. Currently, 10 banks operate 59 branches and offices spread across the different governorates of Gaza; they represent 17.2% of the total number of branches and offices in the banking system as a whole; 344 branches and offices are owned by 14 licensed banks (Banks in Palestine, 2019).

Odeh clarified that the deposits of customers in the West Bank until November of last year $ 10.9 billion with a growth rate about 4.8%.In Gaza, deposits amounted to 1.2 billion with a growth rate of 4.8 % (Banks in Palestine, 2019).

In Palestine, there are two groups of banks, local banks, and foreign banks. Local banks are the ones that were established and their head offices are in Palestine (Appendix 1) (Palestinian Banks status, 2019).

While foreign banks are the banks that work in Palestine, but their main head offices are not in Palestine (Appendix 1) (Palestinian Banks status, 2019).

Chapter Four: Methodology

Research Design

The design of this study is an empirical study. The term of "empirical" was defined by Roth (2007) as "the systematic process of deriving and analyzing data from direct or indirect observation." However, the empirical research helps in theory building as well as in verification of proposed theories (Vamsi and Kodali, 2014).

Population and Sampling Methodology

According to statistics of Palestine Monetary Authority of 2019, the number of Banks in West Bank of Palestine were 14 Banks. Yet, the exact number of **Local Banks** were **seven** including (Bank of Palestine, Arab Islamic Bank, Palestinian Investment Bank, Al Quds Bank, National Bank, Safa Bank and Palestinian Islamic Bank) and number of **Foreign Banks** were **seven** including **(**Arab Bank, Cairo Amman Bank, Al Ahli Bank, Bank of Jordan, Housing and Investment Bank, Jordanian Commercial Bank, Egyptian and Arab Land Bank). As a result, the sample size for the study was calculated based on the assumption of the total number of Banks in West Bank in 2019 (total= 14) (MOA, 2019).

Sample

A stratified sample from 11 Banks was chosen to participate in the study. The participants were chosen from the services sector of Palestinian banking; including the departments of the Banks. Targeted participants were including managers, vice managers and department heads of the Banks in the West Bank of Palestine. Respondents were permanent full time employees from different departments such as quality, risk management, human resources, planning and studies, and operations as they have the best knowledge about quality management in banks.

Study Setting

This study was conducted in 11 different Banks that offer banking services in Palestine. The Banks were included a local banks and a Foreign Banks.

Assessment Tool

A self-administered questionnaire was used for data collection for this study. The questionnaire was adopted from Kaynak (2008) and other studies that examine the same study purpose. Individuals indicate the degree to which they use each services on a five-point Likert scale, as:1=strongly agree, 2= agree, 3= uncertain, 4= disagree, 5= strongly disagree.

The questionnaire consisted of three segments. **Section A** contains information about independent variables- total quality management practices (supplier management, customer focus, leadership, process management, information and analysis, training, product design and employee relations). This section included a series of questions on the degree of implementation of different practices related to quality management in the bank.

Section B contains information about dependent variables –organizational performance- by studying financial and non-financial measurements and how the bank performance was relatively to its main competitors in the last three years.

Section C included general information about the bank like number of its employees and branches, deposits volume, facilities volume, paid in capital and total assets.

Data Collection:

A self-administered questionnaire was distributed randomly to 120 participants in 11 Banks in West Bank; 111 questionnaires were accepted for the study, and 9 were invalid.

Data Analysis

Data were then analyzed using Statistical Package for the Social Sciences (SPSS 20).

Reliability and Validity

Reliability

Reliability of the questionnaire was tested with Cronbach's Alpha as suggested by Hair et al. (1998). Cronbach 's Alpha is used to test the reliability of the questionnaire where it is **0.871**;this means that the questionnaire has a **very good** reliability as shown in the table below:

Table (4.1): Internal reliability of questionnaire (Cronbach Alpha test).

		Cronbach alpha	**No. of items**	**Sample size**
1.	Management Leadership	0.897	6	111
2.	Customer Focus	0.887	6	111
3.	Training	0.860	5	111
4.	Employee Relations	0.799	4	111
5.	Quality Data and Reporting	0.805	4	111
6.	Supplier Quality Management	0.760	6	111
7.	Product/Service Design	0.789	4	111
8.	Process Management	0.829	6	111
9.	Total Quality Management	0.950	41	111
10.	Relative Perceived Performance	0.908	8	111

To verify the validity of the questionnaire, Pearson correlation was used on items with the total degree at the level of significance $\alpha \leq 0.05$ where the results were as the following in the table for total quality management practices:

Table (4.2): The intraclass correlation coefficient of the scale items with the total degree for the tool.

Item	Pearson correlation	p- value	item	Pearson correlation	p- value
1	0.734	0.000	21	0.743	0.000
2	0.700	0.000	22	0.708	0.000
3	0.628	0.000	23	0.617	0.000
4	0.651	0.000	24	0.670	0.000
5	0.693	0.000	25	0.704	0.000
6	0.674	0.000	26	0.581	0.000
7	0.610	0.000	27	0.454	0.000
8	0.658	0.000	28	0.467	0.000
9	0.654	0.000	29	0.591	0.000
10	0.691	0.000	30	0.553	0.000
11	0.659	0.000	31	0.478	0.000
12	0.692	0.000	32	0.588	0.000
13	0.714	0.000	33	0.603	0.000
14	0.700	0.000	34	0.686	0.000
15	0.682	0.000	35	0.710	0.000
16	0.644	0.000	36	0.648	0.000
17	0.707	0.000	37	0.657	0.000
18	0.618	0.000	38	0.144	0.066
19	0.561	0.000	39	0.550	0.000
20	0.579	0.000	40	0.501	0.000
			41	0.680	0.000

Construct Validity:

Table (4.2) shows that all of the items are significant at the level 0.05, so the instrument is valid.

Pearson correlation coefficient was used on items with the total degree at the level of significant $\alpha \leq 0.05$ where the results were as follows in the table (Relative Perceived Performance):

Table (4.3): Pearson correlation coefficient Relative Perceived Performance.

Item	Pearson correlation	p- value
1	0.744	0.000
2	0.795	0.000
3	0.792	0.000
4	0.820	0.000
5	0.779	0.000
6	0.804	0.000
7	0.778	0.000
8	0.755	0.000

Table (4.3) shows that all of the items are significant at the level 0.05, so the instrument is valid.

Chapter Five: Results and Discussion

Results

The required statistical processing of the data has been carried out by extracting the tables and the percentages. The hypotheses of the survey were examined at $\alpha \leq 0.05$ through the statistical analyses and tests; the Pearson correlation coefficient (r.), stepwise regression, multiple regression and One-way analysis of variance (ANOVA).

Descriptive of Demographic-Characteristics

Table (5.1): Summary of Socio-Demographic Characteristics of Respondents.

Variable	Group	Number	Percent
Number of employees	From 50-100	7	6.3
	From 101-250	21	18.9
	From 251-500	17	15.3
	More than 500	66	59.5
	Sum	111	100.0
Number of bank branches	From 1-10	16	14.4
	From 11-15	15	13.5
	From 16-25	34	30.6
	More than 25	46	41.4
	Sum	111	100.0
Balance of banks credit facilities in dollar	Less than 100 million	20	18.0
	From 101-500 million	32	28.8
	From 501-1 billion	28	25.2
	More than 1 billion	31	27.9
	Sum	111	100.0
Balance of bank's deposits in dollar	Less than 100 million	25	22.5
	From 101 million to 500 million	32	28.8
	From 501million to 1billion	24	21.6
	More than 1billion	30	27.0
	Sum	111	100.0
Paid in capital	From 50-75 million	27	24.3
	from 76 to 100 million	37	33.3
	From 101 to 150 million	13	11.7
	more than 150 million	34	30.6
	Sum	111	100.0
Balance of total assets	Less than 250 million	29	26.1
	From 250 to 500 million	28	25.2
	From 500 to 1 billion	13	11.7
	More than 1 billion	41	36.9
	Sum	111	100.0

With regard to the demographic characteristics of the respondents, the findings show that the banks with number of employees **more than 500** have the highest percent **59.5%** of the respondent banks, while the banks with **more than 25** branches represent **41.4%**.

By looking at the balance of banks credit facilities in dollars, the findings show that the banks with credit facilities from **101-500 million** have the highest percent of **28.8%,** the paid in capital with **76-100 million** groups represents **33.3%** while banks with total assets **more than 1 billion** represent **36.9 %.**

Degree of Satisfaction

The degree of satisfaction (means and standard deviation) was as follows:

Table (5.2): The degree of satisfaction of respondents.

1-1.8	**Very low**
1.81-2.6	**Low**
2.61-3	Middle
3.41-4.2	High
4.21-5	**Very high**

Management Leadership

The degree of satisfaction of management leadership was as follows:

Table (5.3) : Means and standard deviations of the management leadership items.

Item No.	Item	Mean	Standard dev.	Degree of Satisfaction
1.	Extent to which the organizational top management has objectives for quality performance.	3.72	1.01	High
2.	Comprehensiveness of the goal-setting process for quality within the organization.	3.71	0.92	High
3.	Degree to which the organizational top management considers quality improvement as a way to increase profits.	3.69	1.08	High
4.	Degree to which organization top management (top organization executive and major department heads) is evaluated for quality performance.	3.66	1.09	High
5.	Amount of review of quality issues in organizational top management meetings.	3.65	1.08	High
6.	Degree of participation by major department heads in the quality improvement process.	3.59	1.04	High
	Management Leadership	3.67	0.84	**High**

Table (5.3) above shows that **management leadership** has a mean of (3.67). Moreover, item number three (Extent to which the organizational top management has objectives for quality performance) has the highest mean **(3.72)**, while they are in agreement for the comprehensiveness of the goal-setting process for quality within the organization with mean (3.71). Also, item number two has the **least mean** (Degree of participation by major department heads in the quality improvement process) with the value of **(3.59).**

Customer Focus

Table (5.4) Means and standard deviations of the items customer focus.

Item No.	Item	Mean	Standard dev.	Degree of Satisfaction
	5. Extent to which the organization actively seeks ways to improve the primary product/service in order to achieve greater satisfaction.	3.71	1.04	High
	2. Extent to which customer satisfaction surveys are used in determining/identifying customers' requirements.	3.65	0.96	High
	3. Extent to which managers are aware of the results of customer satisfaction surveys.	3.64	1.13	High
	4. Extent to which managers have access to a summary of customer complaints.	3.60	1.07	High
	1. Extent to which customers are involved in service design.	3.53	1.04	High
	6. Degree of employees' understanding of who their customers are.	3.48	1.11	High
	Customer Focus	3.60	0.85	**High**

Table (5.4) shows that the respondents are in agreement for **customer focus** with a mean of (3.60) and they are in agreement for item number five (Extent to which the organization actively seeks ways to improve the primary product/service in order to achieve greater satisfaction) with a mean of (3.71) and (Extent to which customer satisfaction surveys are used in determining/identifying customers' requirements) with a mean of (3.65). Item number six (Degree of employees' understanding of who their customers are) has the **least mean (3.48)** .

Training

Table (5.5): Means and standard deviations of the items for training.

Item No.	Item	mean	Standard dev.	degree
	Commitment of the organizational top management to employee training.	3.68	0.97	High
	Specific work-skills training (technical and vocational) given to hourly employees throughout the organization.	3.59	1.05	High
	Quality-related training given to managers and supervisors throughout the organization.	3.57	1.01	High
	Quality-related training given to hourly employees throughout the organization.	3.56	1.02	High
	Training in statistical techniques within the organization as a whole.	3.55	1.04	High
	Training	3.59	0.82	**High**

The table shows that the respondents are in agreement for **Training** with mean a (3.59).They agree on item four (Commitment of the organizational top management to employee training) with the highest mean (3.68). Specific work-skills training (technical and vocational) given to hourly employees throughout the organization with a mean (3.59); the item which has the **least mean** is (Training in statistical techniques within the organization as a whole) with a value of **(3.55).**

Employee Relations

Table (5.6): Means and standard deviations of the items for employee relations.

Item No.	**Item**	**Mean**	**Standard dev.**	**Degree of Satisfaction**
	1Amount of feedback provided to employees on their quality performance.	3.61	1.04	High
	Extent to which building quality awareness among employees is ongoing.	3.55	0.95	High
	Extent to which employees are recognized for superior quality performance.	3.49	0.99	High
	Degree of participation in quality decisions by hourly/non-supervisory employees.	3.41	0.96	High
	Employee Relations	3.52	0.78	**High**

The table shows that the respondents agree on **employee relations** with a mean of (3.52)

while they agree on item number one (Amount of feedback provided to employees on their quality performance) with a mean of (3.61) and Extent to which building quality awareness among employees is ongoing with a mean of (3.55), the **least mean** for item number two (Degree of participation in quality decisions by hourly/non-supervisory employees with a mean of (3.41).

Quality Data and Reporting

Table (5.7): Means and standard deviations of the items of quality data and reporting.

Item No.	Item	Mean	Standard dev.	Degree of Satisfaction
	Extent to which quality data (cost of quality, defects, errors, scrap, etc.) are used as tools to manage quality.	3.62	0.93	High
	Availability of quality data (error rates, defect rates, scrap, defects, etc.).	3.60	0.91	High
	Availability of procedures to ensure the reliability and improvement of data gathering.	3.59	0.96	High
	Timeliness of the quality data.	3.58	0.85	High
	Quality Data and Reporting	3.60	0.72	**High**

Table (5.7) shows that the respondents agree for **quality data and reporting** with a mean of (3.60). While they agree on item number three [(Extent to which quality data (cost of quality, defects, errors, scrap, etc.) are used as tools to manage quality] with the highest mean (3.62) and [Availability of quality data (error rates, defect rates, scrap, defects, etc.)] With mean of(3.60). Less mean for (Availability of procedures to ensure the reliability and improvement of data gathering) with a mean of (3.58).

Supplier Quality Management

Table (5.8): Means and standard deviations of the items supplier quality management.

Item No.	Item	Mean	Standard dev.	Degree of Satisfaction
	Extent to which suppliers are selected based on quality rather than price or delivery schedule.	3.75	0.84	High
	Extent to which suppliers are evaluated according to quality, delivery performance, and price, in that order.	3.73	0.82	High
	Thoroughness of your organization's supplier rating system.	3.71	0.76	High
	Extent to which long-term relationships are offered to suppliers.	3.68	0.90	High
	Involvement of the supplier in your product/service development process.	3.67	0.88	High
	Reduction in the number of suppliers since implementing just-in-time purchasing and/or total quality management.	3.63	0.87	High
	Supplier Quality Management	3.70	0.57	**High**

Table (5.8) shows that the respondents agree on **supplier quality management** with a mean of (3.70). They are agree on item number four (Extent to which suppliers are selected based on quality rather than price or delivery schedule) with the highest mean (3.75). And [Extent to which suppliers are evaluated according quality, delivery performance, and price, in that order] had a mean of (3.73) ,the item which has the least mean (Reduction in the number of suppliers since implementing just-in-time purchasing and/or total quality management) with a mean of (3.63).

Product/ Service Design

Table (5.9): Means and standard deviations of the product/service design.

Item No.	Item	Mean	Standard dev.	Degree of Satisfaction
	Quality of new products/services emphasized in relation to cost or schedule objectives.	3.82	0.96	High
	Thoroughness of new product/service design reviews before the product/service is produced and marketed.	3.77	0.95	High
	Extent to which implementation/ producibility is considered in the product/service design process.	3.71	1.02	High
	Coordination among affected departments in the product/service development process.	3.67	0.90	High
	Product/Service Design	3.74	0.75	**High**

Table (5.9) shows that the respondents agreed on **product/service design** with a mean of (3.71). They agree on item number three (Quality of new products/services emphasized in relation to cost or schedule objectives) with highest mean (3.82), and (Thoroughness of new product/service design reviews before the product/service is produced and marketed) with a mean of (3.77), the item has the **least mean** (Coordination among affected departments in the product/service development process) with a mean of (3.74).

Process Management

Table (5.10): Means and standard deviations of the items of process management.

	Item	Mean	Standard dev.	Degree of Satisfaction
	Degree of automation of the process.	3.86	0.96	High
	Extent to which employees are authorized to stop production for quality problems.	3.64	0.97	High
	Extent to which statistical techniques are used in order to reduce variance in processes.	3.63	0.95	High
	Stability of production schedule/work distribution.	3.60	0.98	High
	Extent to which process design is “fool-proof” and minimizes the chances of employee errors.	3.59	0.95	High
	Extent to which inspection, review, or checking of work is automated.	3.54	1.00	High
	Process Management	3.64	0.82	High

Table (5.10) shows that the respondents agree for **process management** with a mean of (3.64). They are agree for item number three (Degree of automation of the process) with highest mean (3.86), and (Extent to which employees are authorized to stop production for quality problems)with a mean of (3.637), the item has the least mean (Extent to which inspection, review, or checking of work is automated) with a mean of (3.54).

Soft and Hard TQM

Table (5.11): Means and standard deviations Soft and Hard TQM.

	Mean	**Standard dev.**	**Degree of Satisfaction**
Supplier Quality Management	3.70	0.57	High
Management Leadership	3.67	0.84	High
Customer Focus	3.60	0.85	High
Training	3.59	0.82	High
Employee Relations	3.52	0.78	High
SOFT	**3.616**	**0.772**	**3.616**
Product/Service Design	3.74	0.75	High
Process Management	3.64	0.82	High
Quality Data and Reporting	3.60	0.72	High
HARD	**3.66**	**0.62**	**High**
Total Quality Management	**3.63**	**0.62**	**High**

Performance

To interpret the results of means, we used the status of the bank situation as follow:

1-1.8	Much worse
1.81-2.6	Worse
2.61-3	Uncertain
3.41-4.2	Better
4.21-5	Much better

Table (5.12): Means and standard deviations of the items of relative perceived performance.

Item No.	Item	Mean	Standard dev.	Degree
	Growth in deposits and direct facilities and assets	3.85	1.02	Better
	The firm's profitability measured by profits over assets (Economic profitability or ROA) (net income/average total assets)	3.82	0.94	Better
	The firm's profitability measured by profits over own resources (Financial profitability or ROE) (net income/average total equity)	3.80	0.85	Better
	The return on direct facilities (interest/A. direct facilities balance)	3.77	0.97	Better
	Assets turnover (revenues /A.T. Assets)	3.73	0.91	Better
	The firm's market share with respect to deposits and direct facilities and assets	3.66	0.89	Better
	Cost of deposits (interest expenses /A.D.B)	3.60	0.98	Better
	Loans to deposits ratio LTD (Direct facilities /Deposits)	3.55	1.12	Better
	Relative Perceived Performance	3.72	0.75	Better

Table (5.12) shows that (Growth in deposits and direct facilities and assets)has the highest mean (3.85). They agree on (The firm's profitability measured by profits over assets (Economic profitability or ROA) (net income/average total assets) with a mean of (3.82), the item has the least mean (Loans to deposits ratio LTD (Direct facilities /Deposits) with a mean of (3.55).

Hypothesis Testing

The independent variable of this test was x = TQM. And

The dependent variable was ill be y = organizational performance.

Hypothesis One

H1: There is a significant relationship between soft TQM and organizational performance.

To test the hypothesis, Pearson correlation coefficient was calculated to test the

relationship at the level of significance α≤0.05 between soft TQM and organizational performance; the results are shown below:

Table (5.13): Pearson correlation coefficient at the level of significance α≤0.05 between soft TQM and organizational performance.

Domain	Pearson correlation coefficient	Sig.
Supplier Quality Management	0.441	0.000
Management Leadership	0.557	0.000
Customer Focus	0.378	0.000
Training	0.547	0.000
Employee Relations	0.404	0.000
Soft TQM	0.567	**0.000**

There is a positive relationship at the level of significance α≤0.05 between soft TQM and organizational performance.

To test the hypothesis, Multiple Regression Analysis was used in table (5.14) as follows:

Table (5.14): Multiple Regression Analysis of Soft TQM on organizational performance.

Sig.	T value	β Coefficients		Variables
		Standardized	Unstandardized	
0.000	5.609	-----	1.672	(Constant)
0.651	0.422	0.153	0.070	**Supplier Quality Management**
0.000	3.652	0.398	0.453	**Management Leadership**
0.162	-1.3213	-0.185	-0.166	**Customer Focus**
0.001	3.277	0.442	0.510	**Training**
0.681	-0.407	-0.043	0-.035	**Employee Relations**
			0.621	R
			0.381	R-square
			0.351	Adjusted R-square
			16.335	F
			0.000	Sig.

According to the above results, management leadership with significant equals 0.0 is the most affecting practice from Soft TQM on organizational performance then training with significance equals 0.01 comes on the second place. Also, the analysis shows that R

equals 0.621 which is more than zero that indicates there is positive relation between TQM practices and organizational performance, R square equals 0.38 which indicates that soft TQM practices representing 38% of changes of the organizational performance. There is relationship at the level of significance $\alpha \leq 0.05$ between soft TQM with organizational performance.

Hypothesis Two

H2: There is a significant relationship between hard TQM and organizational performance. To test the hypothesis, Pearson correlation coefficient was calculated to test the relationship at the level of significance $\alpha \leq 0.05$ between hard TQM and organizational performance; the results are shown below:

Table (5.15): Pearson correlation coefficient at the level of significance $\alpha \leq 0.05$ between hard TQM and organizational performance.

Domain	Pearson correlation coefficient	Sig.
Quality Data and Reporting	0.457	0.000
Product/Service Design	0.531	0.000
Process Management	0.421	0.000
HARD	0.652	0.000

There is a positive relationship at the level of significance $\alpha \leq 0.05$ between hard TQM and organizational performance.

To test the hypothesis Multiple Regression Analysis was used as in the following table:

Table (5.16): Multiple Regression Analysis of Hard TQM on organizational performance

Sig.	T value	β Coefficients		Variables
		Standardized	Unstandardized	
0.003	3.010	-----	1.215	(Constant)
0.189	1.321	0.148	0.153	**Quality Data and Reporting**
0.008	2.697	0.321	0.322	**Product/Service Design**
0.143	1.476	0.148	0.136	**Process Management**
			0.569	R
			0.323	R-square
			0.298	Adjusted R-square
			12.663	F
			0.000	**Sig.**

According to the results above, the results recognized that product/service design with significance equals 0.008 is the most affecting practice from Hard TQM on organizational performance. The results found that R equals 0.569 which is more than zero and that means there is positive relation between TQM practices and organizational performance, R square equals 0.323 which means that Hard TQM practices represent 32.3% of changes of the organizational performance. There is a relationship at the level of significance $\alpha \leq 0.05$ between hard TQM and organizational performance.

The study aimed to check the relationship between TQM practices and organizational performance in the Palestinian banking sector. TQM practices in its both types and organizational performance in Palestinian banking sector has a positive relationship as was found in the findings. The results agree with a study conducted by Hoang et al., 2010; Fotopoulos & Psoma's, 2010 and Goetsch & Davis, 2013.

The results of the study are very helpful and important for bank managements to obtain more information and improve methods about TQM practices and organizational performance, so that they could implement it wisely.

Chapter Six: Conclusion and Recommendations

Summary of Results

This study had two questions: first, is to check the relationship between TQM and organizational performance in Palestinian banks and second is to examine the degree of implementation of TQM in Palestinian banks. We used a questionnaire survey method to study the targeted sample.

TQM was divided into two groups as indicated in the literature:

First: Soft TQM which represents TQM practices that are related to human being factor in the organization; it contains the following practices:

- **Leadership and Top Management Commitments:** It can be defined as the adoption of quality responsibility by managers including comprehensive quality planning, quality schedule, evaluation quality and participation in quality improvement efforts (Saraph et al., 1989). It was checked through six points; the highest mean point was [Extent to which the organizational top management has objectives for quality performance] with a mean of (3.72). Leadership as a whole had a mean of (3.67).
- **Customer Focus:** which is the main goal of quality management, to meet or go beyond customer expectations (Fuentes et al., 2007). Customer's satisfaction depends on meeting and exceeding customers' expectations and that is what customers' relationship management should focus on (Mithas et al., 2005). It was checked through six points; the highest mean point was [Extent to which the organization actively seeks ways to improve the primary product/service in order to achieve greater satisfaction] with a mean of (3.71), customer focus had a mean of (3.6).
- **Employees' Empowerment and Involvement:** Employee encouragement is a significant tool for effective implementation of TQM; therefore, employees should be encouraged, through rewards and recognitions, for their efforts, suggestions, achievements and contributions (Talib and Rahman, 2010). According to results, amount of feedback provided to employees on their quality performance had the highest mean (3.61) and employee relations had a mean of (3.52).

- **Training:** Training is an organized, systematic series of activities designed to enhance an individual's work-related knowledge, skills, understanding, and motivation. Respondents agreed on Training with a mean of (3.59). They agreed on item four commitment of the organizational top management to employee training with the highest mean (3.68).

Secondly: Hard TQM includes the practices based on technical and methodological issues and the main practices are:

- **Quality Data and Reporting:** Gotzamani and Tsiotras (2001) defined quality data and reporting as the extent to which quality data is collected, monitored and used to help in putting strategies and improving quality-related processes. Quality Data and Reporting had a mean of (3.60). While respondent agreed for item number three [Extent to which quality data; (cost of quality, defects, errors, scrap, etc.) are used] as tools to manage quality as the highest mean (3.62).
- **Quality Data and Reporting:** Gotzamani and Tsiotras (2001) defined quality data and reporting as the extent to which quality data is collected, monitored and used to help in putting strategies and improving quality-related processes. Quality Data and Reporting had a mean of (3.60). While respondent agreed for item number three [Extent to which quality data; (cost of quality, defects, errors, scrap, etc.) are used] as tools to manage quality as the highest mean (3.62).
- **Product Design:** Saraph et al. (1989) defined the TQM principle product design as the degree to which organization levels participate in the design process and give their ideas. Respondents agreed for product/service design with a mean of (3.71). They agreed for item number three quality of new products/services emphasized in relation to cost or schedule objectives with highest mean (3.82).
- **Process Management:** Deming defined process improvement as the action of "continuously reduce waste and continuously improve the quality in all activities". Respondents agreed for process management with a mean of (3.64). They agreed for item number three degree of automation of the process with highest mean (3.86).
- **Supplier Management:** It gives opportunities to the companies to make supportive and long-term relations with their suppliers, to lookout on supplier performance, participate in suppliers' quality activities, help suppliers to improve their product

by giving some feedback (Zhang et at., 2000); respondents agreed to supplier quality management with a mean of (3.70) and they agreed on item number four [Extent to which suppliers are selected based on quality rather than price or delivery schedule] with the highest mean (3.75).

Results indicated that respondents agreed positively on all TQM practices and that shows how important TQM practices are for Palestinian banks from their employees' point of view. The findings of study recognized that management leadership with significance that equals 0.0 is the most effective practice of Soft TQM on organizational performance then it is followed by training with significance that equals 0.01. The results of the study also found that R equals 0.616 which is more than zero and that means there is positive relation between TQM practices and organizational performance. R square equals 0.38 which means that soft TQM practices represent 38% of changes of the organizational performance.

According to the results, the **product/service design** was recognized with significant equals 0.008 which is the most effective practice from Hard TQM on organizational performance. The findings also found that R equals 0.569 it is more than zero and that means there is **positive relation** between **TQM practices and organizational performance**. R square equals 0.323 which means that Hard TQM practices represent 32.3% of changes of the organizational performance. There is relationship at the level of significance $\alpha \leq 0.05$ between hard TQM and organizational performance.

Conclusion

According to the findings of the study, the results found that the most of the opinions focus on the greatest critical point in TQM which is top management leadership. In which indicated that it is a very acceptable logic for the reason that if the top management does not believe in the importance of TQM and does not find it worthy, so who will go on motivating departments to excel? Or what would make employees care for improving their work if their bosses do not? Top management leadership can perform many significant tasks in adopting TQM like evaluating quality performance, making the departments heads participate in quality improvement processes, and reviewing quality issues in organizational top management meetings. In short, top managements must believe and

consider quality improvement as a way to increase profits and a whole growth approach for the organization.

Ishikawa (1985) stated that quality begins and ends with training. Here we can see how important training is and that came through our results that indicated that training was the second important practice. Top managements do many roles one of which is improving its employee's skills by giving them courses and technical skills that are necessary and related to their jobs. When they become qualified; these employees can improve their work and implement top management vision and goals.

Product/Service Design is one of the pointed out practices that affects the organizational performance as found in the analysis; the study interpreted it from the point view that the participants said that their service is their address which means the better the service is then their company name will raise and their customers will be satisfied. That would automatically lead to an increase in their profits. **Designing product and services** is a limit lessscience which contains various packages of work like marketing research, promotion, bench marketing studies and customers sharing of ideas to hear from them and engage them in designing new services that meet their expectations.

At the end, the study findings indicated that that Palestinian companies specially Banks should adopt TQM principles which become a global way of work in light of its obvious benefits mainly in decreasing wastes and increasing profits.

Recommendations

According to the results of the study, the recommendations were underlined as follows:

- Establishing a quality department in every bank running in Palestine.
- Activate the role of quality department in the banks and make it engage and participate in strategic planning sessions.
- Top management must adopt the principles of TQM and implement its practices as well as objectives for quality performance
- Bank top management must have commitment to employee training.
- Quality-related training must be given to managers and supervisors.
- Service design should have the top management full attention so they design it using the total quality management principles.

- Banks should make surveys and studies to study the status of the market and customers to understand their needs in order to design a perfect service to meet their requirements and expectations.
- Banks should bring the latest methods of training to their employees by contacting specialized institutions and universities.
- Taking in considerations the excellence of quality in designing the new services

Recommendations

Based on the results of this study, the recommendations are intended with the aim of the study in helping banks to make the best use of TQM principles and procedures to increase organizational performance as follows:

- All level of bank should have TQM approaches. As a results, they should carefully identified, planned and executed it.
- There should be ideal continuous feed-back process through effective and efficient communication among bank sectors.
- Training programs should be provided to employees on issues related to the development of organizational performance of banks to inculcate in them the principles and practices of TQM.
- Provide training programs for banks members on how to use TQM approaches and principles perfectly.
- Highlight the importance of both soft and hard TQM in a Palestinian banking sectors due to their positive effect on organizational performance. So, both soft and hard practices should be planted into everybody's mind and operate in every department's of bank day-to-day work for successful implementation of TQM.
- Extent to which the organization actively seeks ways to improve the primary product/service in order to achieve greater satisfaction]
- There should be perfect working system and continuous feed-back process through effective and efficient communication.
- Also, banks should be increased the degree of customer satisfaction by actively seeks new ways to improve the primary product/service.
- According to results, the amount of feedback provided to employees on their quality performance was high. However, employees should be encouraged, through

rewards and recognitions, for their efforts, suggestions, achievements and contributions.

- The banks should increase the efforts of management leadership and highlighted it through training programs to their employees. Effective practice of Soft TQM on organizational performance as results revealed that in this study.

- Employees should report to their managers new ideas related to quality improvement and explain the importance of adopting the idea of continuous improvement.
- Raise the level of automation in banking services.
- Engage customers in services design.

Study limitations

During our study, the complication that the researcher that might due to many reasons as follows:

- The targeted sample of the study who is managers and their assistants are usually busy and do not find time to talk to us or fill the questionnaire.
- The targeted population which is banks in West Bank have security and privacy issues, so they did not answer all questions smoothly.
- Some banks managers do not know anything about quality subject, so we needed to explain it first to them.
- Some banks did not corporate with us due to their own reasons.
- Lack of interest in quality subject by bank top management.
- Absence of quality specialized or quality departments in the banks.

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APPENDIX

Appendix One

Banking Sector in Palestine

Local Banks were:

- Bank of Palestine.
- Arab Islamic Bank.
- Palestinian Investment Bank.
- Al Quds Bank.
- National Bank.
- Safa Bank.
- Palestinian Islamic Bank.

Foreign Banks were:

- Arab Bank.
- Cairo Amman Bank.
- Al Ahli Bank.
- Bank of Jordan.
- Housing and Investment Bank.
- Jordanian Commercial Bank.
- Egyptian Arab Land Bank.

الجامعة العربية الامريكية
THE ARAB AMERICAN UNIVERSITY

Faculty of graduate studies

Major of Quality Management

Thesis Title: The Impact of TQM Practices on Organizational Performance in Palestinian Banks

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Mohammad Ali, a Graduate Studies student and researcher is conducting a study in the field of TQM in the Quality Management Program in AAUJ.

The objective of this study is to evaluate the application of TQM practices and their relationship with financial performance of Palestinian banks. TQM is now considered as one of the main basics by which any organization relies on for its distinguished success. As it widely affects consumer satisfaction, product quality, competitive capacity, and profitability.

Your cooperation will have a great impact in improving this study. All given information will be treated confidentially and will only be used to serve the study objective.

If you are interested, you will be informed of the final results once they are obtained; though it is not intended to evaluate your organizational performance nor your emplyees' efficiency, but to study your organization privileges in the field of quality management.

Finally, your efforts are highly appreciated and valued, and I am sure you have the adequate experience and knowledge that will help achieve the purpose of this study.

Section1. Total Quality Management:

This section includes a series of questions on the degree of implementation of different practices related to quality management in your bank. Circle the appropriate response using the following scale. (Please respond even if your bank has not implemented a formal quality management system).

Strongly Disagree = 1 disagree =2 uncertain = 3 agree=4 strongly Agree= 5

A.1.1. Management leadership:

1. Degree to which organization top management (top organization executive and major department heads) is evaluated for quality performance.	1 2 3 4 5
2. Degree of participation by major department heads in the quality improvement process.	1 2 3 4 5
3. Extent to which the organizational top management has objectives for quality performance.	1 2 3 4 5
4. Comprehensiveness of the goal-setting process for quality within the organization.	1 2 3 4 5
5. Amount of review of quality issues in organizational top management meetings.	1 2 3 4 5
6. Degree to which the organizational top management considers quality improvement as a way to increase profits.	1 2 3 4 5

A.1.2. Customer focus:

1. Extent to which customers are involved in product or service design.	1 2 3 4 5
2. Extent to which customer satisfaction surveys are used in determining/identifying customers' requirements.	1 2 3 4 5
3. Extent to which managers are aware of the results of customer satisfaction surveys.	1 2 3 4 5
4. Extent to which managers have access to a summary of customer complaints.	1 2 3 4 5
5. Extent to which the organization actively seeks ways to improve the primary product/service in order to achieve greater satisfaction.	1 2 3 4 5
6. Degree of employees' understanding of who their customers are.	1 2 3 4 5

A.1.3. Training:

1. Specific work-skills training (technical and vocational) given to hourly employees throughout the organization.	1 2 3 4 5
2. Quality-related training given to hourly employees throughout the organization.	1 2 3 4 5
3. Quality-related training given to managers and supervisors throughout the organization.	1 2 3 4 5
4. Commitment of the organizational top management to employee training.	1 2 3 4 5
5. Training in statistical techniques within the organization as a whole.	1 2 3 4 5

A.1.4. Employee relations:

1. Amount of feedback provided to employees on their quality performance.	1 2 3 4 5
2. Degree of participation in quality decisions by hourly/non-supervisory employees.	1 2 3 4 5
3. Extent to which building quality awareness among employees is ongoing.	1 2 3 4 5
4. Extent to which employees are recognized for superior quality performance.	1 2 3 4 5

A.1.5. Quality data and reporting:

1. Availability of quality data (error rates, defect rates, scrap, defects, etc.).	1 2 3 4 5
2. Timeliness of the quality data.	1 2 3 4 5
3. Extent to which quality data (cost of quality, defects, errors, scrap, etc.) are used as tools to man- age quality.	1 2 3 4 5
4. Availability of procedures to ensure the reliability and improvement of data gathering.	1 2 3 4 5

A.1.6. Supplier quality management:

1. Extent to which long-term relationships are offered to suppliers.	1 2 3 4 5
2. Reduction in the number of suppliers since implementing just-in-time purchasing and/or total quality management.	1 2 3 4 5
3. Extent to which suppliers are evaluated according to quality, delivery performance, and price, in that order.	1 2 3 4 5
4. Extent to which suppliers are selected based on quality rather than price or delivery schedule.	1 2 3 4 5
5. Thoroughness of your organization's supplier rating system.	1 2 3 4 5
6. Involvement of the supplier in your product/service development process.	1 2 3 4 5

A.1.7. Product/service design:

1. Thoroughness of new product/service design re- views before the product/service is produced and marketed.	1 2 3 4 5
2. Coordination among affected departments in the product/service development process.	1 2 3 4 5
3. Quality of new products/services emphasized in relation to cost or schedule objectives.	1 2 3 4 5
4. Extent to which implementation /producibility is considered in the product/service design process.	1 2 3 4 5

A.1.8. Process management:

1. Extent to which inspection, review, or checking of work is automated.	1 2 3 4 5
2. Stability of production schedule/work distribution.	1 2 3 4 5
3. Degree of automation of the process.	1 2 3 4 5
4. Extent to which process design is "fool-proof" and minimizes the chances of employee errors.	1 2 3 4 5
5. Extent to which employees are authorized to stop production for quality problems.	1 2 3 4 5
6. Extent to which statistical techniques are used in order to reduce variance in processes.	1 2 3 4 5

Section.2. Relative perceived performance:

3.1. Financial and non-Financial measurements : Answer the following questions, taking into account the situation of your bank in the last 3 years. Relative to your main competitors, what is your firm's performance in the following aspects.

1 2 3 4 5 Much worse than my competitors Much better than my competitors	
1-The firm's profitability measured by profits over assets (Economic profitability or ROA) (net income/average total assists)	1 2 3 4 5
2- The firm's profitability measured by profits over own resources (Financial profitability or ROE) (net income/average total equity)	1 2 3 4 5
3- The firm's market share with respect to deposits and direct facilities and assists	1 2 3 4 5
4- Growth in deposits and direct facilities and assists	1 2 3 4 5
5- The return on direct facilities (interest/A. direct facilities balance)	1 2 3 4 5
6- Cost of deposits (interest expenses /A.D.B)	1 2 3 4 5
7- Assets turnover (revenues /A.T. Assets)	1 2 3 4 5
8-Loans to deposits ratio LTD (Direct facilities /Deposits)	1 2 3 4 5

SECTION 3: GENERAL INFORMATION.

Please provide the following information about your bank. This information is necessary for strictly statistical reasons.

1. Number of employees:

- ☐ From 50 to 100 ☐ From 101 to 250
- ☐ From 251to 500 ☐ More than 500

2. Number of bank branches

- From 1 to 10 ☐from 11-15

- From 16 to 25 □more than 25

3. The balance of bank's credit facilities in dollar:

☐ Less than 100 million. □From 101 million to 500 million.

☐ From 501million to 1billion. □ More than 1billion.

4. The balance of bank's deposits in dollar:

☐ Less than 100 million. □From 101 million to 500 million.

☐ From 501million to 1billion. □ More than 1billion.

5. The paid up capital

- From 50-75 million □ from 76 to 100 million
- From 101 to 150 million □ more than 150 million

6- The balance of total assets

- less than 250 million * From 250 to 500 million
- From 500 to 1 billion * More than 1 billion

في النهاية، تهدف هذه الدراسة إلى جذب انتباه إدارات البنوك إلى أهمية إدارة الجودة الشاملة وممارساتها الرئيسية الثمانية بالإضافة إلى أهمية تنفيذها في ضوء الفوائد المتوقعة على الأداء التنظيمي. تهدف الدراسة إلى توضيح أهم القضايا التي يحتاجها السوق الفلسطيني وقطاع الخدمات على وجه التحديد.

الملخص

في السنوات الأخيرة، نالت إدارة الجودة الشاملة اهتمامًا عالميًا في ضوء أهميتها وفعاليتها في إدارة الأعمال والاستراتيجيات. تلعب إدارة الجودة الشاملة دورًا رئيسيًا في زيادة الأرباح وتقليل الهدرمن خلال التحسينات المستمرة لجميع الجوانب.

تهدف هذه الدراسة إلى دراسة العلاقة بين إدارة الجودة الشاملة والأداء التنظيمي في قطاع الخدمات في فلسطين. أُخذت البنوك الفلسطينية كحالة دراسة تجريبية.

الأداء التنظيمي هو أداة مهمة وشاملة لقياس أداء المنظمة نحو تحقيق أهدافها واستراتيجياتها من خلال إظهار التباين بين الوضع الفعلي للمنظمة و الاستراتيجيات المخططة.

تم استخدام استبيان لجمع البيانات الأولية من عينة البحث. تم تطويره بعد مراجعة المراجع المختلفة لخدمة الغرض من الدراسة. قام الباحث بتوزيع (120) استبانة عشوائياً (يدوياً) على 11 بنكاً في الضفة الغربية. فقط (111) استبيان كانت صالحة للاستعمال.

كانت المجموعة المستهدفة من هذه الدراسة هي قطاع الخدمات في فلسطين، وتحديداً القطاع المصرفي الفلسطيني، حيث كان التركيز على الإدارات في البنوك التي لها تأثير على متغيرات الدراسة. تم استهداف المدراء ونواب المدراء ورؤساء الأقسام.

خلصت الدراسة إلى وجود علاقة إيجابية بين ادارة الجودة الشاملة والأداء التنظيمي. تم قياس إدارة الجودة الشاملة من خلال ثماني ممارسات مقسمة إلى مجموعتين: المجموعة الأولى هي الممارسات المتعلقة بالإنسان وهي: التزام الإدارة، والتركيز على العملاء، وعلاقات الموظفين و التدريب. المجموعة الثانية هي الممارسات المتعلقة بالممارسات غير البشرية وهي: تصميم المنتج أو الخدمة، تصميم العمليات، تقارير البيانات وأخيرا إدارة الموردين. أظهرت الدراسة أن التزام الإدارة هو الممارسة الأكثر أهمية وهو مرتبط بالأداء التنظيمي يليه التدريب وتصميم المنتجات.

أوصت الدراسة بأنه يجب على البنوك إنشاء قسم لإدارة الجودة وتفعيل دورها من خلال إعطائها الصلاحيات الأساسية وكذلك التزام الإدارة بفكرة الجودة الشاملة بسبب أهميتها وفقًا لنتائج الدراسة. كما أوصت بتفعيل وتحديث دور قسم التدريب في البنوك لرفع كفاءة الموظفين من خلال تقديم دورات تدريبية حديثة حول أساليب الأداء الفعالة. كما أوصت الدراسة أنه من المهم تصميم الخدمة بطريقة حديثة وتنافسية وإشراك العملاء في عملية تصميم المنتجات والخدمات.