THE EFFECT OF TOTAL QUALITY MANAGEMENT ON FINANCIAL PERFORMANCE
CASE OF KENYA UTALII COLLEGE

ALVIN NDWIGA GETERIA
D53/R1/11670/04

A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION, (FINANCE OPTION)
KENYATTA UNIVERSITY
DECLARATION

This research Project is my original work and has not in part or whole been presented for a Degree in any University for the same award.

Signature---------------------------- Date------------------

ALVIN NDWIGA GETERIA
D53/R1/11670/04

Supervisor's Approval
This research project has been submitted for examination with my approval as the University Supervisor.

Signature---------------------------- Date------------------

Mr. D. NGABA
Lecturer Department of Accounting and Finance, Kenyatta University

Chairman Department of Accounting and Finance, Kenyatta University.

Signature---------------------------- Date------------------

Mr. F.W.S. NDEDE
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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECLARATION</td>
<td>ii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>iii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>iv</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>vi</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>viii</td>
</tr>
<tr>
<td>DEFINITION OF TERMS</td>
<td>ix</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>xi</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>xii</td>
</tr>
<tr>
<td>CHAPTER ONE</td>
<td></td>
</tr>
<tr>
<td>1. INTRODUCTION</td>
<td></td>
</tr>
<tr>
<td>1.1 Background of the Study</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Overview of Kenya Utalii College</td>
<td>3</td>
</tr>
<tr>
<td>1.3 Statement of the problem</td>
<td>3</td>
</tr>
<tr>
<td>1.4 Objectives of the Study</td>
<td>5</td>
</tr>
<tr>
<td>1.4.1 General Objective</td>
<td>5</td>
</tr>
<tr>
<td>1.4.2 Specific Objectives</td>
<td>5</td>
</tr>
<tr>
<td>1.4.3 Research Questions</td>
<td>6</td>
</tr>
<tr>
<td>1.5 Significance of the Study</td>
<td>6</td>
</tr>
<tr>
<td>1.6 Scope of the Study</td>
<td>6</td>
</tr>
<tr>
<td>CHAPTER TWO</td>
<td>7</td>
</tr>
<tr>
<td>2. LITERATURE REVIEW</td>
<td>7</td>
</tr>
<tr>
<td>2.1 Introduction</td>
<td>7</td>
</tr>
<tr>
<td>2.2 Theoretical Review</td>
<td>7</td>
</tr>
<tr>
<td>2.2.1 Ishikawa Theory</td>
<td>7</td>
</tr>
<tr>
<td>2.2.3 Deming Theory</td>
<td>8</td>
</tr>
<tr>
<td>2.2.4 Crosby Theory</td>
<td>8</td>
</tr>
<tr>
<td>2.2.5 Juran Theory</td>
<td>9</td>
</tr>
<tr>
<td>2.2.6 Goldman Theory</td>
<td>9</td>
</tr>
<tr>
<td>2.2.7 Shahraki Theory</td>
<td>10</td>
</tr>
<tr>
<td>2.3 Models of Total Quality Management</td>
<td>10</td>
</tr>
<tr>
<td>2.3.1 Deming Application Prize</td>
<td>10</td>
</tr>
<tr>
<td>2.3.2 Malcolm Baldrige National Quality Award</td>
<td>11</td>
</tr>
<tr>
<td>2.3.3 European Foundation for Quality Management Excellence Model (EFQM)</td>
<td>11</td>
</tr>
<tr>
<td>2.3.4 The ISO quality management standards</td>
<td>12</td>
</tr>
<tr>
<td>2.4 Empirical review of TQM and the Critical Success Factors</td>
<td>13</td>
</tr>
<tr>
<td>2.5 Critical Success Factors</td>
<td>13</td>
</tr>
<tr>
<td>2.5.1 Leadership</td>
<td>13</td>
</tr>
<tr>
<td>2.5.2 Quality Policy</td>
<td>14</td>
</tr>
<tr>
<td>2.5.3 Customer focus</td>
<td>15</td>
</tr>
</tbody>
</table>
3. RESEARCH METHODOLOGY

3.1 Introduction
3.2 Research Design
3.3 Study Area
3.4 Target Population
3.5 Sampling Method
3.6 Data collection procedures and instruments
3.7 Data Analysis and Presentation Techniques
3.8 Ethical Issues

4. RESULTS AND FINDINGS

4.1 Demography of the respondents
4.1.1 Gender
4.1.2 Designation of the respondents:
4.1.3 Level of Education of the respondents:
4.1.4 Period of service of the respondents:
4.2 Role of leadership in TQM Implementation
4.2.1 Percentage of responses in regard to various aspects
4.3 Customer focus in TQM implementation
4.3.1 Responses in regard to various aspects
4.4 Human resource focus in TQM implementation
4.5 Quality Policy in TQM Implementation
4.5.1 Responses in percentage quality Policy in TQM Implementation
4.6 Total Quality Management systems and financial performance results
4.7 Other analysis
4.7.1 Correlation in regard to Designation
4.8 Suggestion on improvement of TQM practices in the college

5. DISCUSSIONS CONCLUSION AND RECOMMENDATIONS

5.1 Discussion
5.2 Conclusions
5.3 Recommendations

REFERENCES

APPENDICES

APPENDIX 1: Questionnaire
APPENDIX 2: Staff Establishment in Kenya Utalii College
<table>
<thead>
<tr>
<th>Table</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1: Target Population</td>
<td>22</td>
</tr>
<tr>
<td>Table 2: Sample Size</td>
<td>22</td>
</tr>
<tr>
<td>Table 3: Percentage level of Agreement Quality Policy in TQM Implementation</td>
<td>32</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

Fig 1 - The Conceptual Framework ................................................................. 21
Figure 2: Gender of the respondents .............................................................. 26
Figure 3: Designation of the respondents ..................................................... 27
Figure 4: Level of Education of respondents ............................................... 28
Figure 5: Period of service of respondents .................................................. 29
Figure 6: Mean score aspects of Role of leadership in TQM Implementation ... 30
Figure 7: Percentage of responses in regard to various aspects .................... 31
Figure 8: Means score of aspects on Customer focus in TQM implementation ........ 32
Figure 9: Responses in regard to various aspects ......................................... 33
Figure 10: Mean score of various aspect on Human resource focus in TQM implementation ...... 34
Figure 11: Mean score of various aspects of Quality Policy in TQM Implementation ........ 35
Figure 12: Responses in percentage quality Policy in TQM Implementation ....... 36
Figure 13: Total Quality management systems and financial performance .......... 38
DEFINITION OF TERMS

Quality
Quality is viewed from three perspectives, the first is system, the second is quality in management and finally product. TQM is concerned with the first two aspects, the product is a derivative of system and management. Quality is defined here as conformity to requirement, fitness for use, fitness for purpose and customer satisfaction at lowest cost.

Total Quality Management
TQM is an ideologically based system of management operation that seeks to improve continuously the total organization system that produces goods/services to satisfy customers every time. TQM is a way of managing to improve the effectiveness, flexibility and competitiveness of the business as a whole. It involves whole company getting organized in every activity and every person at all levels. TQM is managing the whole organization so that excellence is allowed in all dimensions of product/services that are important to customers.

Management
Management is a process of setting and achieving quality goals and objectives through utilization of finance, human resource, and material resource. It is a process of coming up with quality plans, quality organization, quality control, management commitments and training.

Strategy
Strategy is setting of long term goals and objectives and determining course of action and allocation of resources to achieve the set objectives.

Financial Performance
Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm’s policies and
operations in monetary terms. It is used to measure firm's overall financial health over a
given period of time and can also be used to compare similar firms across the same
industry or to compare industries or sectors in aggregation. Change in operating Income,
change in sales, change in total assets, and change in number of employees are some of
the indicators used to measure financial performance of an organization.
### LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>QI</td>
<td>Quality Improvement</td>
</tr>
<tr>
<td>KUC</td>
<td>Kenya Utalii College</td>
</tr>
<tr>
<td>TQM</td>
<td>Total Quality Management</td>
</tr>
<tr>
<td>QITs</td>
<td>Quality Improvement Teams</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>CQI</td>
<td>Continuous Quality Improvement</td>
</tr>
<tr>
<td>HRM</td>
<td>Human Resource Management</td>
</tr>
<tr>
<td>QC</td>
<td>Quality Circles</td>
</tr>
<tr>
<td>CS</td>
<td>Customer Satisfaction</td>
</tr>
</tbody>
</table>
ABSTRACT

The general objective of the study was to determine the effects of successful implementation of Total Quality Management (TQM) on the financial performance of Kenya Utalii College and the critical success factors of TQM implementation. This study was to specifically determine the critical success factors for successful TQM implementation in Kenya Utalii College. Further, it was to determine the effect of successful implementation of TQM on the financial performance of the College. This study sought for the challenges and benefits of successful implementation of TQM therein. It contained reviewed literature from several authors of TQM and their contribution thereto. The study targeted the staff of Kenya Utalii College and adopted descriptive research design for the purpose of giving accurate and specific information on various aspects of TQM studied. The population of the study consisted of Kenya Utalii College staff only. A census was carried out on 6 management staff and 26 heads of departments, while a simple random sampling procedure was used to select a sample size from the 590 operational staff. The primary instrument for data collection was a structured questionnaire for easy coding and analysing. The collected data was edited, coded and tabulated. Analysis of data was done using descriptive statistical methods in particular correlation analysis, frequency tables, Pie Charts and percentage among others. The study aimed at giving value not only to Kenya Utalii College, but also to governmental and non-governmental institutions, the hotel industry, students of TQM and the general public.
CHAPTER ONE

1. Introduction

In this chapter outlines the background of the study and statement of the problem were presented. The research objectives, research questions, significance of the study and scope of the study were also described.

1.1 Background of the Study

Research by Hellsten and Klefsjo (2000) declares that Total Quality Management (TQM) is a management system in continuous change, which comprises values, techniques and tools and that the overall goal of the system is increased customer satisfaction with decreasing resources. In this project, the definition by Hellsten and Klefsjo (2000) was used.

The use of quality management has become widespread among organizations during the last two decades in Kenya. The aim of the business may differ, but importance of customers is matter of common interest, and the ability of organizations to adapt to new customer requirements on a global market is of vital importance for long –term success. During the past decades quality management has been recognized as a major edge for competitiveness and long-term profitability. The development of systems for controlling and managing quality has evolved rapidly. One example is the interest in the International Standard ISO 9000 for quality systems where large annual growth has increased the number of certificates awarded. Since the 1970’s, simple inspections activities have been replaced or supplemented by quality control, quality assurance, and now many companies are working towards Total Quality Managements (TQM) (Dale, 1999).

TQM is, compared to other concepts such as quality control and quality assurance, since it embraces the whole organization instead of focusing on part of the product. TQM has been acknowledged as an important subject in management theory and practice and has
become a frequently used term in discussions concerning quality. The use of TQM among many western organizations was relatively high during the 1990s, Lawler et al (1995), but there exists a diversity of opinion among researchers regarding the actual benefits of TQM. Research results that claim that there exists positive effect on financial performance. (Shetty, 1993), (Hendricks and Singhal, 1997), (Easton & Jarrell, 1998)

The type of organizations that use TQM varies from large to small, private to public and from manufacturing to service organizations. According to Hodgetts (1996), all enterprises regardless of the size and financial status, are involved in the quality revolution. TQM is frequently mentioned in discussions concerning quality and according to Hodgetts (1996), all enterprises, regardless of size and financial status, are involved in quality revolution. There exist descriptions of concept of TQM, but few clear definitions. For example, Oakland (1989), describes TQM as an approach to improve competitiveness, efficiency and flexibility for a whole organization Dale (1994) and Huxtable (1995) describe TQM as an important management philosophy, which sustains the organization in their effort to obtain satisfied customers. Some argue that TQM is a management approach, while others state that TQM is a management system. In this project, the definition by Hellsten and Klefsjo (2000) was used. They define TQM as management system in continuous change, which is constituted of values, methodologies and tools, the aim of which is to increase external and internal customer satisfaction with a reduced amount of resources. For example, the core values of TQM are values such as customer and committed leadership.

Performance can, as well as TQM, be defined in many different ways. The definition provided by European Foundation for Quality Management (EFQM, 1999) was used in this project. EFQM (1999) defines performance as a measure of attainment achieved by an individual, team, organization or process. There are many different indicators to measure performance. This project sets out to measure TQM’s impact on financial performance. In this research project six indicators of financial performance were used to
illuminate the impact of TQM. These were change in operating income, change in sales, change in return on assets, and change in return on sales, change in total assets and change in number of employees.

1.2 Overview of Kenya Utalii College

Soon after independence, the Government of Kenya realized the potential the tourism sector held in the economic development of the country. However, a glaring handicap to the development of this sector was the lack of qualified human resource, particularly among indigenous Kenyans. The Government thus approached the Swiss confederation with a plan to establish such a training institution for this purpose – a move that saw the first batch of Hotel Management trainees enrolled at Kenya Polytechnic in 1969. But soon the Government realized the need to train not only managers but also the other cadres for the industry that was increasingly gaining importance. This led to the establishment in 1975 of a fully-fledged hospitality and tourism training institution – The Kenya Utalii College. The College mission is to develop a highly qualified human resource base for the Hospitality Industry through training, research and consultancy. To be the World’s leading centre of excellence in Hospitality training. The College strives to offer the highest possible quality of education and training, being highly responsive and proactive to the needs of the industry and the general clientele and by developing and sustaining efficient operating standards. The College adopted TQM after award of the ISO certification by Kenya Bureau of Standards in June 2011. Generally the College is financed by revenue from catering levy trustees since inception. Due to increased activities in the College the finances has been dwindling as no additional funding is received and fees income is highly subsidized by the Government of Kenya. Due to this the College started implementing TQM management systems mainly to reduce on unnecessary operating cost in 2008 until the year 2011.

1.3 Statement of the problem

The issue of the relationship between successful TQM implementation and financial performance is important, when considering the incentives for organizational change, a
The main incitement for change is to improve, whether it is improved management systems or an improved customer satisfaction, all in most cases is aiming at an increased performance. Most organizations start TQM implementation efforts in order to respond to changes in the competitive context that surrounds them for instance as a consequence of a discovered need to develop or as a result of action in order to survive. The question of TQM implementation and financial performance has not before been under investigation in a hospitality training organization context. Some international studies show a discrepancy regarding the relationship between TQM and financial performance. Hendricks & Singhal (1997) and Hansfield et al. (1998) argue, for example, that TQM investments result in an improved financial performance, while Harari (1993) and Eskildson (1994) claim that TQM programs are ineffective. This discrepancy regarding research was needed.

Total quality management has become a feature of Kenya industry over the past few years, initiated by multinational co-operation acting on advice from their parent companies (Nafula, 2005). The first industry wide collective efforts to introduce TQM in Kenya, however, was initiated by the Federation of Kenya Employees (FKE) in conjunction with the United Nations industrial development organization, (UNIDO) (Nafula, 2005). The actual project started in August 1992, and involved 14 companies. This companies made up the (FKE/UNIDO) TQM pilot projects and were chosen on the basis of their past business records, future financial viability, exports potential and willingness to commit time and resources to train and implement, (Nafula, 2005) when one examines the notable trends in the companies participating in TQM Programme, one is stack by similarity of the experience of the companies implementing TQM in Kenya with that of other companies doing the same around the world. For example many companies which switched TQM actually had in place some form of quality assurance (QA) programme.

Implementation of TQM can be considered as a substantial organizational change Almaraz (1994) and Mc Adam & Bannister (2001). To succeed with such a change process, contextual aspects like organizational size need to be considered since business
improvements approaches could be flawed in organizations when they do not address the key features and constraints of that context, (McAdam, 2002). Failed implementation initiatives, especially as extensive as a TQM implementation, result in financial losses and potential resistance towards change among the actors involved. It is therefore of importance that the implementation strategies used are well adopted (Shin et al. 1998). Furthermore, in the discourse on successful organizational change, it is argued that intangible aspects such as involvement and understanding are of vital importance, (Eistenstat, 1993), (Ford, 1995). This called for further investigation on how these intangible aspects could be addressed within the context of TQM implementation with due regard given to Kenya Utalii College.

1.4 Objectives of the Study

The objectives of the study included the following:-

1.4.1 General Objective

The main purpose of the study was to find out the impact of TQM on financial performance in an organization.

1.4.2 Specific Objectives

1. To determine the effect of leadership on financial performance in Kenya Utalii College as a result of Total Quality Management practices.

2. To determine the effect of quality policy on financial performance in Kenya Utalii College as a result of Total Quality Management practices.

3. To determine the effect of customer focus on financial performance in Kenya Utalii College as a result of Total Quality Management practices.

4. To determine the effect of human resource focus on financial performance in Kenya Utalii College as a result of Total Quality Management practices.
1.4.3 Research Questions

The study sought to address the following questions:

1. How has leadership during Total Quality Management in Kenya Utalii College affected its performance?

2. How has quality policy during Total Quality Management in Kenya Utalii College affected its performance?

3. How has customer focus during Total Quality Management in Kenya Utalii College affected its performance?

4. How has human resource focus during Total Quality Management in Kenya Utalii College affected its performance?

1.5 Significance of the Study

This project examined the effect of Total Quality Management (TQM) on financial performance at Kenya Utalii College. It aimed to give value not only to Kenya Utalii College, but also to Governmental and Non-governmental institutions, the hotel industry, students of TQM and the general public. The study was to draw material as propagated by different scholars and originators of TQM. Research based on TQM by modern management authorities was to be consulted for derivation and development issues. There was a need to measure whether the adoption of TQM had lead to financial improvement and more so to answer the question whether TQM was valuable.

1.6 Scope of the Study

The scope of the study was limited to the employees of Kenya Utalii College and these included the senior level management, heads of department and operation staff in the College. Kenya Utalii College is located along Thika Road Nairobi. The establishment is located eight kilometres from the Nairobi Central Business District. This study also utilised secondary data sources and qualitative data analysis which were obtained from structured questionnaires analysed thematically.
CHAPTER TWO

2. LITERATURE REVIEW

2.1 Introduction

Main concepts and discussions of major issues relevant to this study were presented under literature review. Scholars have studied Total Quality Management (TQM) in its various applications. The review identified, compared and recognized contributions of several authors who had done similar research over time. It also introduced various models of TQM and they include the Deming Application Model, Malcolm Baldrige National Quality Award Model, European Foundation for Quality Management Excellence Model and the ISO quality management standards. Further, an empirical review of TQM versus the variables was identified. It was from this that the researcher identified the knowledge gaps and developed suitable research methodology to attempt to fill the gaps.

2.2 Theoretical Review

2.2.1 Ishikawa Theory

Ishikawa (1976) emphasized on the importance of training, the usage of cause-effect diagrams for problem solving, and quality circles as a way to achieve continuous improvement. With regard to modern approaches to TQM, his theories cannot be ignored. He is known as the father of the Quality Circle Concept which revolves around the potential of human resources. These human resources include the employees and the customers, or in TQM terms, the internal and external customers, respectively. He saw the need for the transformation or total overhead of an organization, if quality was to be attained. In order to maximize profit in the long term, he proposed that a company places quality first instead of short term profits. It is believed that Ishikawa’s philosophy was the foundation of Japan’s economic success in the 1960’s. He came up with the fundamental quality control tools which were the Flow Chart, Check Sheet, Histograms, Pareto charts, Cause and Effect Diagrams, Scatter Diagrams, Control Charts. They were
identified for the average person to analyze and interpret data. These tools have been used worldwide by companies, managers of all levels and employees.

2.2.3 Deming Theory
Deming (1982) strongly influenced Japanese industry post WWII with Statistical Process Control (SPC) and Total Quality Management (TQM). He was an American statistician, considered the father of the modern quality movement. In 1982, he published a book ‘Out of the Crisis’ identifying 14 principles for management which if applied would enable Japanese manufacturing efficiencies to be realized. He underlined the use of statistical techniques for quality control, and proposed his 14 principles to improve quality in organizations, based on the following ideas: leadership; an improvement philosophy; the right production from the beginning; training for managers and employees; internal communication aimed at the elimination of obstacles for cooperation and; the suppression of quantitative objectives. He also started the W Edwards Deming Institute that gave awards and prizes for individuals and organizations that embrace Total Quality Management and drive quality management forward.

2.2.4 Crosby Theory
Crosby (1984) defined 14 steps for quality improvement, including top and intermediate management commitment, quality measurement, evaluation of quality costs, corrective action, training, a zero-defect philosophy, objective setting and employee recognition. He defined quality as conformity to certain specifications set forth by management and not some vague concept of goodness. These specifications are not arbitrary either; they must be set according to customer needs and wants. He came up with the Four Absolutes of Quality Management which are: quality, defined as conformance to requirements, not as goodness or elegance; the system for causing quality is prevention, not appraisal; the performance standard must be zero defects and; the measurement of quality is the price of non-conformance, not indices.

A very interesting approach on TQM that Crosby came up with was use of a sick human body to diagnose the malaise of collapsing organizations. He proposes that, in order for an organization to stand up again after threat of collapse, it needs to be vaccinated with a
substance that is strong enough to boost its immunity. The strong vaccine he proposes is that of TQM. This writer addresses two issues of TQM to clarify his arguments. He looks at management commitment to the organization as very important in the health of the firm; he sees it as crucial for decision makers to demonstrate their own commitment so that the operations human resources can view them as role models. Commitment would subsequently spread throughout the organization. Crosby’s second issue is on empowerment of employees. He theorizes that employees cannot be fully committed to an organization that disregards their welfare. He emphasizes that employees must therefore be equipped through education and recognition of their human dignity. In this way, the employees can be in a position to commit them to uplifting the quality service of the organization, in full awareness of the benefits they are assured of reaping from their efforts. Crosby’s theories are relevant to our case study of Utalii College. One of the problems we have identified in our case study is that of staff turnover. It is important for Utalii to investigate areas of staff empowerment which need boosting in order to curb wastage of human resources. The question of empowerment as proposed by Crosby is therefore, crucial for ensuring commitment.

2.2.5 Juran Theory
Juran (1986) was one of the first to think about the cost of poor quality. This was illustrated by his Juran trilogy, an approach to cross-functional management, which is composed of three managerial processes: quality planning, quality control and quality improvement. He was of the view that without change, there will be a constant waste, and during change there will be increased costs. However, after the improvement, margins will be higher and the increased costs get recouped.

2.2.6 Goldman Theory
A. Goldman (2005) argued that the customers’ needs should be fully integrated into the design and development of products and services. Following the global trend, TQM became the quality buzzword in the USA during the 1980s. Businesses all over USA tried to implement the Deming and/or Juran principles of quality in their firms. Many firms adopted TQM in their operations and saved millions of dollars. From its inception, TQM was customer oriented. He noted that the customers’ needs should be fully integrated into
the design and development of products and services. However, doing so demands that the customer should be treated as an equal partner in the product’s life cycle.

2.2.7 Shahraki Theory
Shahraki et al (2011) claimed that human resource management and total quality management having been identified as new approaches have attracted a great deal of practitioners’ interest. Environmental pressures to change, for example, turbulent market conditions and heightened competition, have left organizations little choice to introduce novel approaches in human resource management (HRM) and total quality management (TQM) in every company.

HRM is important for TQM success in any sphere of activity. Despite differences in nomenclature (workforce management, employee relations, employee satisfaction, etc.) and the different practices considered (training, teamwork, empowerment, etc.) there is a consensus in the literature that highlights the important role of human resource management in implementing a TQM system in an organization. Enterprises that devote themselves to the implementation of TQM also need to perform HRM aggressively, if they are to increase the firm’s performance significantly. A total quality system is comprised of two distinct systems: the management system and the technical system. The management system is concerned with issues of HRM.

2.3 Models of Total Quality Management
There is no recipe for organization success; however there are a number of great of TQM models that organizations can use. This includes the Deming application prize, Malcolm Baldrige National Quality Award, European Foundation for Quality Management Excellence Model and the ISO quality management standards. Any organisation that wants to improve its performance would be well served by selecting one of these models and conducting a self assessment.

2.3.1 Deming Application Prize
The Deming Application Prize is an annual award presented to a company that has achieved distinctive performance improvements through the application of TQM. Regardless of the types of industries, any organization can apply for the Prize, be it public or private, large or small, or domestic or overseas. Provided that a division of a
company manages its business autonomously, the division may apply for the Prize separately from the company. Companies or divisions of companies that apply for the Prize (application companies hereafter) receive the examination by the Deming Application Prize Subcommittee (the Subcommittee hereafter). Based on the results of the Subcommittee's examination, the Deming Prize Committee selects the winners. There is no limit to the number of potential recipients of the prize each year. All organizations that score the passing points or higher upon examination will be awarded the Deming Application Prize.

2.3.2 Malcolm Baldrige National Quality Award
The Malcolm Baldrige National Quality Award (MBNQA) recognizes U.S.A Organizations in the business, health care, education, and non-profit sectors for performance excellence. The Baldrige Award is the only formal recognition of the performance excellence of both public and private in U.S.A organizations given by the President of the United States. It is administered by the Baldrige Performance Excellence Program, which is based at and managed by the National Institute of Standards and Technology, an agency of the U.S. A Department of Commerce, Up to 18 awards may be given annually across six eligibility categories- manufacturing, services, small business, education, health care, and non profit. As of 2011, 90 organizations had received the award. The award promotes awareness of performance excellence as an increasingly important element in competitiveness. It also promotes the sharing of successful performance strategies and the benefits derived from using these strategies. To receive a Baldrige Award, an organization must have a role-model organizational management system that ensure continuous improvement in delivering products and/or services, demonstrates efficient operations, and provides a way of engaging and responding to customers and other stakeholders.

2.3.3 European Foundation for Quality Management Excellence Model (EFQM)
The European Foundation for Quality Management (EFQM) was formed when 14 CEOs came together in 1988 to develop a Management Tool that would increase the competitiveness of European organizations. This approach was supported by the European Commission in the European Quality Promotion Policy.
Following on from other national award models like the Deming Prize in Japan and the Malcolm Baldrige Award in the U.S.A the founding members wanted to have a model which allowed excellence to be judged across an organization, promote and recognize business excellence. As a result they created the EFQM Excellence Model. This was particularly important at the time as there was a gap in quality and productivity between the USA and Japan and that of Europe. From its origins over twenty years ago the model and the associated awards process set out to promote business excellence and the sharing of ideas.

The award process of the EFQM sets out to recognize organizations across Europe for their quality and excellence in business performance and approach. The awards are based around organizations implementing a Total Quality Management philosophy and its focus on innovation, the market and the customer, stakeholder satisfaction and balanced results.

2.3.4 The ISO quality management standards

The ISO 9000 family of standards are related to quality management systems and designed to help organizations ensure that they meet the needs of customers and other stakeholders. The standards are published by ISO, the International Organization for Standardization, and available through National standards bodies while meeting statutory and regulatory requirements. The term ISO 9000 has two different meanings: it refers to a single standard (ISO 9000) and it refers to a set of three standards (ISO 9000, ISO 9001, and ISO 9004). All three are referred to as quality management system standards. ISO 9000 discusses definitions and terminology and is used to clarify the concepts used by the ISO 9001 and ISO 9004 standards. ISO 9001 contains requirements and is often used for certification purposes while ISO 9004 presents a set of guidelines and is used to achieve sustained success. It is widely acknowledged that proper quality management improves business, often having a positive impact on investment, market share, sales growth, sales margins, competitive advantage, and avoidance of litigation.

According to Wade and Barnes, the quality principles in ISO 9000:2000 are sound; ISO 9000 guidelines provide a comprehensive model for quality management systems that can make any company competitive. Implementing ISO often gives the following advantages: Creates a more efficient organization, increases customer satisfaction and retention, reduces audits, enhances marketing, improves employee motivation,
awareness, and morale, promotes international trade, increases profit, reduces waste and increases productivity, it is a common tool for standardization.

2.4 Empirical review of TQM and the Critical Success Factors

Implementing TQM involves defining and deploying several key elements or factors (Zairi & Dale, 2001). Of primary interest among researchers has been addressing the question what makes TQM work (Researcher, 2012). One of the problems of critical factors of TQM is how to define them and what should be the measure of their impact before they become critical (Zairi & Youssef, 1995). Critical success factors of TQM are latent variables, which means they cannot be measured directly (Ahire et al., 1996). Thus, the critical factors of TQM differ from one author to another, although there are common issues. TQM is much more than a number of critical factors; it also includes other components, such as tools and techniques for quality improvements (Tari, 2005). However, past evidence has shown that TQM programs have failed because the success factors were not in place (Curry and Kadasah, 2002). The study by Black in 1993 was an attempt at developing a model for measuring the critical factors of TQM. Using the MBQA criteria, ten factors were identified as the most critical. These factors appear to be compatible with successful TQM implementation programs (Zairi & Youssef, 1995).

2.5 Critical Success Factors

Implementing TQM involves defining and deploying several key elements or factors (Thiagaragan et al., 2001). Some of these factors are as shown below:

2.5.1 Leadership

Total quality management requires the highest standards of leadership and team work visible and genuine commitment from chief executive is essential if the organization is to embark on the journey to excellence through TQM. Cessor Electronics, Hewlett-Packard companies said no manager can manage from behind a door or desk. (Janakiraman, 1998) Managers need to be leaders. They must coach, develop, remove barriers, and create an environment of innovation and creativity. They need to motivate their teams and above all work with them, not against them. They need to practice MBWA -management by wandering around-which means knowing their people, their capability, their strengths and
leading the team toward their shared goal. Leadership is another way to express top management involvement. The activities they participate with are speeches, meeting with employees, meeting with the customers, giving formal and informal recognition, and receiving training, and training others (Easton, 1993). According to Chebat (1999), organizational management should initiate a good plan which will drive the objectives and goals of the organization to achieve maximum result. Managers should be in the forefront to make good decision of the company and should deploy support and participate in companies strategic plans. Managers should also make regular checks to make sure the policies are well implemented and rule out unnecessary policies which will not support growth.

2.5.2 Quality Policy
It is very clearly evident that successfully implementing TQM in any organization requires the alignment of every member’s efforts with the aim of organisations. A critical factor for success in the management of quality would appear to be attention to quality policy development, goal setting, planning, and effective deployment of goals (Zairi, 1997).

Deming (1986) through his first point, strive for consistency of purpose stresses the need to link quality efforts within an organisation to a larger sense of corporate purpose. Management of best organisations are using the process of policy development and deployment to make sure that employees understand the objectives of the company work in teams and know how they will contribute to meeting the objectives (Olian & Rynes, 1991).

Process improvement is essence of TQM and employee involvement is the basis for process improvement. To implement the TQM principles such as a committed and motivated work force is necessary, and teams offer both ingredients. (Janakiraman, 1998). Culture is defined as the holistic summation of individual community member’s habitual attitudes and behaviours (Shuster, 1994). Business culture can be an indicator of the readiness of a firm to adopt a TQM philosophy. Because failure in TQM
implementation is usually attributed to resistance to change culture theory is becoming an important discipline for research (Emery & Summers, 1994).

2.5.3 Customer focus
Customer has become the starting point rather than the end point in any successful business (Nkechi, 2010). It is no longer enough to conform to customer requirement-you must satisfy them in every aspect. Your customer’s requirements and expectations may be too completely different things; successful companies recognize this and take steps to satisfy both. Customer Relationship Management (CRM) is relatively a new concept giving companies ability to plan, design, and control strategy aiming at maintaining customers relationship efficiently. Kellen (2002) and Mehra et al., (2001) stressed the importance of customer focus and said that TQM itself is customer oriented. Authors stated that business must shift their focus towards customer satisfaction. Mehra et al., (2001) proposed that TQM of the future should be redefined to include customer focus. Chien et al., (2002) says for a firm attempting to implement TQM, customer satisfaction is important object to achieve. Customers have expectations from an organization which they patronize. If those expectations are not met, they get dissatisfied, and stop patronizing the organization. Customer satisfaction should be emphasized in anticipating customer needs and expectations, delivering products and services that delight customers.

2.5.4 Human Resource Focus
Training is one of Deming’s 14 principles that employee must be trained in quality improvement techniques. Companies committed to TQM invest in training (Mandal et al., 1998). Training should be conducted on continuous basis (Schonberger, 1994) Effective training pursuits must be planned systematically and objectively. TQM demands people change working practices for example working in a team’s requires skill such as problem-solving, human relations, mathematics, statistics, writing and oral expressions. Acquiring these skills usually requires heavy training (Weintraub, 1993). Training of employee is one of the most important steps in achieving quality management as a well-trained employee is disciplined, informed and have up to date skills which are much important for the prosperity of the organization. Studies have shown that the most
successful, productive employees are those who have received extensive training. They’re the cream of the crop, often having the strongest stake in the company’s future.

In an ideal world, you would be able to hire people who already possess the exact skills your business needs. But in today’s competitive labour market, demand for skilled workers far exceeds supply (Brodwin, 1984).

The company’s future depends on the ability of the employee, whether or not they are updating their skills due to the dynamism of the technology and competition in the industry, that’s where training comes in. Not only does information arm your employees with the needed professional or technical skills, but it also shows that you have invested in them and that you are interested in bringing them with you into the company’s future. This helps keep workers motivated and involved. The management, therefore, should lay emphasis on training the employees to ensure they are equipped with the best skills and they become updated in terms of technological advancement. Through employees training the company increases its output, strengthens its industrial relations, improves the general performance and becomes competitive in the market (Clifford, 2008).

Employees are trained for various reasons, to improve their communication skills due to the increasing diversity of today’s workforce which brings a wide variety of languages and customs. Computer skills have become the most important skills in conducting administrative and office tasks. Some machines, such as the type writers, are becoming obsolete; hence an employee who uses them needs to update themselves with computer skills.

2.6 TQM and Financial Performance

Organisational performance is possibly the most widely used dependant variable in organisational research today. Rogers & Wright, (1998) argue however, that organisational performance remains one of the most vague and loosely defined constructs. They claimed that performance is a multifaceted concept, which can be measured at a firm or system level. While company’s performance has its standardised
indicators, it is more difficult to select performance indicators of a system of firms and people. This research project therefore, sets out to study organisational performance with specific focus on financial performance.

Hard performance measurements as accounting variables are in majority. Eccles (1995) argued whether financial figures are better at measuring the consequences of yesterday’s decision that they are at indicating tomorrow’s performance. The importance of soft performance measurements, as the organization’ intangible and intellectual aspects cannot be rejected. Lumpkin (1996) claimed that these activities may, at times lead to favorable outcomes on one performance dimension and unfavorable outcome on another performance dimension. As an example, a heavy investment in human resource management area could improve organizations’ intangible and intellectual assets, but at the same time negatively affect financial result on a short-term perspective. Considering TQM, with its relatively extensive focus on intangible and intellectual aspects, one may again argue that a study aiming at linking TQM to performance should include soft measurements. Mc Adam & Bannister (2001) maintained that both hard and soft measures of performance are needed within the TQM framework.

The question of TQM implementation and financial performance has not before been under investigation in a hospitality training organization context. Some international studies show a discrepancy regarding the relationship between TQM and financial performance.

Harari (1993) and Eskildson (1994) claimed that TQM implementation programs are ineffective. This discrepancy regarding research is needed. However, Hendricks & Singhal (1997) and Handsfield et al. (1998) argue, for example, that TQM implementation programs result in improved financial performance.

Shin et al. (1998) argued that it is therefore of importance that the implementation strategies used are well adopted since failed implementation initiatives, especially as extensive as a TQM implementation, result in financial losses and potential resistance towards change among the actors involved.

Further some studies of the relationship between TQM and financial performance note that efforts have been made to overcome the potential bias that investments in intangible assets when implementing TQM could produce. Hendricks & Singhal (1999) claim that
this has been done by studying the financial performance development over long-range
time periods and further, by studying one post implementation period. Examining
performance from this point of view provides an estimate of the financial impact of TQM
once the benefits of the implementation are noticeable. Logically, the choice of
performance measurement relies on the actual interest in what to examine. Furthermore,
Studying financial performance development in the context of TQM implementation
necessitates a study of the impact of historical management decisions.

Hendricks & Singhal (1997; 1999) and Wrosldad & Krueger (2001) argued that one
approach to study the relationship between TQM implementation and financial
performance development is to compare quality awards recipients with different control
companies. Their study indicated that companies included in their study outperformed the
control companies on operating income-based measures. The financial performance
indicators used in their study were: change in operating Income, change in sales, change
in total assets, and change in number of employees.

Their findings indicated that the quality award recipients outperformed the control
companies during the post implementation period; that is after the companies had
successfully implemented TQM. However, there was no significant difference between
the quality award recipient and control companies during the implementation period.

Similar performance indicators as in the Hendricks & Singhal (1997) study were used by
Easton & Jarell (1998) ranging from net income, operating income, sales and inventory,
but their selection of TQM organizations on subjective judgment derived from an
empirical study. Their major finding was that the long-term performance of firms that
implemented TQM is improved.

2.7 TQM Implementation

TQM implementation has been an important aspect for improving organizational
efficiency (Yuof & Aspinswall, 2000). TQM implementation is considered to be a
complex and difficult process.

A number of writers including Dale (1996) and Kanji (1990) argue that implementing
TQM should be a top management priority of all corporate leaders.
Jablonski (1992) offers a five-phase guideline for implementing total quality management: preparation, planning, assessment, implementation, and diversification. Each phase is designed to be executed as part of a long-term goal of continually increasing quality and productivity. This approach has been applied to achieve TQM, but contains the key elements commonly associated by other popular total quality systems. This includes:

Preparation: During preparation, management decides whether or not to pursue a TQM program. They undergo initial training, identify needs for outside consultants, develop a specific vision and goals, draft a corporate policy, commit the necessary resources, and communicate the goals thought the organization.

Planning: During the planning stage a detailed plan on implementation is drafted (including budget and schedule), the infrastructure that will support the program is established, and the resources necessary to begin the plan are earmarked and secured.

Assessment: This stage emphasizes a thorough self-assessment, (with input from customers/clients) of the qualities and characteristics of individuals in the company, as well as the company as a whole.

Implementation: At this point, the organization can already begin to determine its return on the investments in TQM. It is during this phase that support personnel are chosen and trained, and managers and the work force are trained. Training entails raising workers’ awareness of exactly what TQM involves and how it can help them and the company. It also explains each worker’s role in the program and explains what it expected of all the workers.

Diversification: In this stage, managers utilize their TQM experiences and successes to bring groups outside the organization (Suppliers, Distributors, and other companies have impact the business overall health) into the quality process. Diversification activities include training, rewarding, supporting, and partnering with groups that are embraced by organizational TQM Initiatives.

2.8 Summary of the gap between literature review and empirical review

According to the Literature Review, Ishikawa (1976), Deming (1982), Crosby (1984), Juran (1998), Goldman (1979), and Shahraki (2011) have similarities where they
advocate that implementation of TQM leads to improved financial performance. However, Harari (1993) and Eskildson (1994) claimed that implementation of TQM were ineffective.

Currently, everyone in an organisation that has operated TQM for about five years will realise that TQM is not without its problems. The application of measurement to administrative practices for example will cause a number of headaches. Other problems include: no formal strategy; failure to provide incentive by recognition; lack of effective communication and narrowly based training. Recognition, involvement and most importantly, financial performance are the only effective incentives. The success of TQM were measured by a number of features such as the involvement and recognition by external customers; reduction in complaints; improved attitudes at work; reduction in errors; scrap; rework; increased productivity and improved working conditions. Therefore, thought was given on how financial performance was to act as an incentive in the development of TQM in an organization.

2.9 Conceptual Framework

The study sought to investigate the effect of Total Quality Management on financial performance. These factors are: leadership; policy; customer focus; information; human resource factors and; process management. They contribute to the success or failure of TQM implementation process in an organisation. It was the above factors (independent variables) that were under investigation in this research project with a view to evaluate the extent of their effect on financial performance (dependent variables). These factors had a great effect on the financial performance of an organisation. This relationship can be illustrated as shown in Fig 1 below:
Independent Variables
Any changes in these stand-alone variables have a direct effect on the financial performance of an organisation implementing TQM.

Dependent Variables
Changes in these financial performance indicators when analysed together have an effect on the financial performance of an organisation implementing TQM.

Researcher 2012
CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the researcher presented the research methods which were used in order to achieve the aim and objectives of the research. Two research methods were used, namely qualitative and quantitative methods. The issues taken into account included the target population for this study, the sample design, data collection procedures and instruments, data analysis and presentation techniques. Finally the ethical aspect considered in the study were stated.

3.2 Research Design

A descriptive research design, utilizing both quantitative and qualitative research method was chosen. For the first part a quantitative research method and for the second part a qualitative research method was used. This study design was chosen by the researcher because the target population was expected to be large and the respondents were to be recruited in one area. The outcome allowed the researcher to make inferences about population from which the sample was recruited (Currier, 1979). A quantitative research method was used in gathering facts, which were captured in a numerical format and analyzed with statistical methods. On the other hand a qualitative research method allowed the researcher to gain deeper insights into their natural settings (Hicks, 1995). These findings enrich the quantitative information more (Burns, 2001).

3.3 Study Area

The study area was limited to Kenya Utalii College, which is located along Thika Road Nairobi, eight kilometres from the Nairobi Central Business District.
3.4 Target Population

The target population was the managers, heads of department and operative staff in the core departments of Kenya Utalii College namely: management; heads of departments and; operative staff.

The population of interest was therefore a total of personnel from the establishment as outlined in Table 3.1 below;

Table 1: Target Population

<table>
<thead>
<tr>
<th>Category of Staff</th>
<th>Total target population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>6</td>
</tr>
<tr>
<td>Heads of Departments</td>
<td>26</td>
</tr>
<tr>
<td>Operative staff</td>
<td>590</td>
</tr>
<tr>
<td>Total</td>
<td>622</td>
</tr>
</tbody>
</table>

3.5 Sampling Method

From the target population in Table 3.1 above a census was carried out on the 6 management staff and 6 heads of departments, while a simple random sampling procedure was used to select a sample size from the 590 operational staff. The simple random sampling method was used to select a sample from a population while the Census method targeted the whole population.

A sample of 0.5 or 50 percent of population was used to select the sample of 295 operation staff in the simple random sampling method and therefore, the total population size taken was 327 respondents as indicated in table 3.2 below;
Table 2: Sample Size

<table>
<thead>
<tr>
<th>Category Of Staff</th>
<th>Target Population</th>
<th>Sample Size</th>
<th>Census</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>6</td>
<td>N/A</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Heads of Departments</td>
<td>26</td>
<td>N/A</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Operative staff</td>
<td>590</td>
<td>0.5</td>
<td>N/A</td>
<td>295</td>
</tr>
<tr>
<td>Total</td>
<td>622</td>
<td></td>
<td></td>
<td>327</td>
</tr>
</tbody>
</table>

3.6 Data collection procedures and instruments

Primary data was collected using the use of questionnaire method as is supported by Burns (2000) as appropriate when dealing with many respondents. In circumstances where data collection period is limited, further follow-ups can continue until the sample size has been achieved (Currier, 1979). The use of questionnaire allows every participant to get a similar assessing tool to complete which may result in standardized response (Burns, 2000). The questionnaires were formulated with both open and closed ended questions based on the objectives of the study. The open-ended questions allowed respondents to give answers in their own way. These were administered to the three categories of staff. The questionnaires provided quantitative information.

The recorded data or facts were analyzed to make notable observations and conclusions. The questionnaires were administered using drop and pick later method and collected by agents or by the project proposer.

Oral interviews were administered to those who responded to the questionnaires. This was for the purposes of qualitative data verification, and clarification of some of the details given in the questionnaires by the respondents. The researcher also went through the literature on pertinent data and facts such as primary and secondary sources of information to verify certain issues. Secondary data was used to obtain both quantitative data to supplement the primary data especially analysis of financial statements for the period ranging from 2005 to 2012 before implementation of TQM, during
implementation of TQM and after implementation of TQM in order to measure the financial effect of TQM. Other secondary data was obtained from the organisation’s publications such as, newsletters and complaint reports accessible from the College.

3.7 Data Analysis and Presentation Techniques

Before processing the responses, the completed questionnaires were edited for completeness and consistency across respondents and to locate omissions. The data was be analysed using tabulations, correlation analysis, simple frequencies mean, charts, pie charts and graphs, where necessary with descriptions and figures presented in percentages. This was to form the basis of interpretation of the data and presentation techniques.

3.8 Ethical Issues

Written permission was obtained before the study starts from Kenyatta University indicating the purpose of the research. Further permission was requested from the management of the institutions selected for the study. Participation from the study was through consent and was on voluntary basis. Respondents were informed of the purpose of the study and were free to withdraw from the study at any point. Confidentiality of the information was maintained because anonymity was ensured. Respect was granted to issues considered sensitive by the respondent.
CHAPTER 4

4.0 RESULTS AND FINDINGS

From a total sample of 500 targeted populations, a total of 200 questionnaires were administered in various departments of Kenya Utalii College staff and managed to get responses from 137 participants.

4.1 Demography of the respondents

4.1.1 Gender

The respondents were asked to indicate their gender and the results are as shown in figure 2 below.

Figure 2: Gender of the respondents

From the total number of respondents it was realized that male score high at 70 (51%) where as female scored 67 (49%). This showed normal distribution in terms of gender responses.
4.1.2 Designation of the respondents:

The respondents were requested to indicate their designation and the results are as shown in figure 3 below.

*Figure 3: Designation of the respondents*

![Designation of the respondents chart]

From a total of 137 responses operations staff scored the highest at 108 attributed by 79% whereas management whose absolute population are few scored 4% at 5, showing a good representation of the management. Heads of department responses were attributed by 24 at 18% of the total number of participants.
4.1.3 Level of Education of the respondents:

This questionnaire required the respondents to indicate their level of education and the results are as shown in figure 4 below.

**Figure 4: Level of Education of respondents**

![Bar Chart: Level of Education](chart)

From the total respondents surveyed at KUC, it was realized that most of the respondents were from Tertiary college at 50% (68) whereas those from Doctorate scored 4% (6), those with masters and Degree scored 11% (15) and 35% (48) respectively.
4.1.4 Period of service of the respondents:
The respondents were asked to indicate the period of service in Kenya Utalii College and
the results are as shown in figure 5 below.

**Figure 5: Period of service of respondents**

From the survey it was realized that most of the respondents have worked at Kenya Utalii
College for more than 10 years 60% (82) this was trailed by those who have worked
between 2 to 5 years at 15% (21). From the total respondents less than 2 years employees
were the lowest at 11% (15). This justifies results of this study being that most responses
were drawn from those who have worked at KUC for a longer period of time.
4.2 Role of leadership in TQM Implementation

The respondents were asked to select the responses which represent their level of agreement with statements on the role of leadership in TQM implementation. Results of the likert-scale were described under five major groups namely very dissatisfied, dissatisfied, a little bit satisfied, satisfied and very satisfied. The results are as shown in figure 6 below.

Figure 6: Mean score aspects of Role of leadership in TQM Implementation

From figure 6 above, it was noted that providing staff with required resources, training and development would play an important function in regard to role of leadership in TQM implementation this was attributed to percentage mean score at 67.8% in relation to the likert scale of measurement used in the study of level of respondent satisfaction. The least aspect was Inspiring empowerment and recognizing staff contribution respondent level of satisfaction which was attributed to mean score of 64.6%. Generally it was unfolded that all the aspects or issues measured or considered to affect the role of leadership in TQM implementation were all over average mean score of 50%. 
4.2.1 Percentage of responses in regard to various aspects

The percentage of responses in regard to various leadership aspects is shown in figure 7 below.

**Figure 7: Percentage of responses in regard to various aspects**

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Very Satisfied</th>
<th>Satisfied</th>
<th>A Little Bit Satisfied</th>
<th>Dissatisfied</th>
<th>Very Dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspiring empowerment and recognizing staff contribution</td>
<td>13%</td>
<td>28%</td>
<td>32%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Encourage team work and performance appraisal</td>
<td>6%</td>
<td>12%</td>
<td>36%</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>Creating and sustaining, clear vision, goals, targets and shared values</td>
<td>8%</td>
<td>12%</td>
<td>22%</td>
<td>22%</td>
<td>43%</td>
</tr>
<tr>
<td>Providing staff with required resources, training and development</td>
<td>5%</td>
<td>16%</td>
<td>38%</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Provision of quality services to its stakeholders</td>
<td>9%</td>
<td>12%</td>
<td>31%</td>
<td>43%</td>
<td></td>
</tr>
</tbody>
</table>

Most of the respondents were satisfied with creating and sustaining, clear vision, goals, targets and shared values at 43.1% and very dissatisfied at 5.1%. The study also realized high level of satisfaction in inspiring empowerment and recognizing staff contribution at 43.1% while others were a little bit satisfied at 31.4%.
4.3 Customer focus in TQM implementation

Respondent were asked to select responses which best represent their level of agreement with various aspects in regard to Customer focus in TQM implementation. Results of the likert-scale were described under five major groups namely Not at all, less extent, moderate extent, large extent, very great extent. The results are as shown in figure 8 below.

Figure 8: Means score of aspects on Customer focus in TQM implementation

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Mean Score</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management measures customers satisfaction and rectifies where necessary</td>
<td>66.4%</td>
<td>4%</td>
</tr>
<tr>
<td>Are you satisfied with the level of services delivery to customers</td>
<td>64.0%</td>
<td></td>
</tr>
<tr>
<td>Organisation ensures that it communicates and balance the need and expectations of customers</td>
<td>63.0%</td>
<td></td>
</tr>
<tr>
<td>Organisation establishes and understands current and future customer needs</td>
<td>62.4%</td>
<td></td>
</tr>
<tr>
<td>Management response to customers complaints</td>
<td>61.2%</td>
<td></td>
</tr>
</tbody>
</table>

From figure 8 above it clearly outlines that Management measures customer's satisfaction and rectifies where necessary mean average score was the highest at mean score 66.4%. Meaning that management are very keen in monitoring customer's satisfaction and are at and to a lesser extent rectifies any complains or issue that might happen to their esteemed customers as indicated by low mean score in regard to Management response to customers complaints at 61.2%.
4.3.1 Responses in regard to various aspects

Figure 9 below shows the percentage of responses in regard to various leadership aspects

**Figure 9: Responses in regard to various aspects**

![Bar chart showing responses](image)

From figure 9 above, it was found out that most respondents agreement with various aspects were of moderate extent, attributed to organization establishes and understands current and future customer needs scoring the highest of 49%. It was also noted that a few were not at all in agreement with the aspect asked in regard to Customer focus in TQM implementation, especially the aspect of, are you satisfied with the level of services delivery to customers; management measures customer’s satisfaction and rectifies where necessary; are you satisfied with the level of services delivery to customers, which all scored 9%.
4.4 Human resource focus in TQM implementation

The study sort to find out respondent’s level of agreement with some various issues in regard to human resource focus in TQM implementation: The results are as shown in figure 10 below.

Figure 10: Mean score of various aspect on Human resource focus in TQM implementation

The result realized that management empower employees, develop and encourage innovation at a larger extent, which is important in TQM implementation and this scored the highest mean score of 60.2%, this was closely followed by responses that staff establish quality, corrective action teams and suggestion scheme to implement TQM implementation at 58.2%. The study realized that employees do participate in organization decision-making process to lesser extent and this scored the lowest mean of 49%.
4.5 Quality Policy in TQM Implementation

The study sorts to yield the level of agreement with various aspects in regard to quality policy in TQM implementation. The results are as shown in Figure 11 below.

Figure 11: Mean score of various aspects of Quality Policy in TQM Implementation

- Lack of resources: 67%
- Resistant to change: 66%
- Lack of commitment: 66%
- Low capacity among personnel: 64%
- Low understanding of TQM by other staff: 63%
- Lack of adequate information: 62%
- Internal threat: 60%
- Application of various quality concepts: 55%

From Figure 11 above, it was found out that lack of resources is a major hindrance in attaining quality policy in TQM implementation at 67%, this was closely followed by resistant to change and Lack of commitment both at 66%. A few respondents attributed application of various quality concepts not being a major hindrance in regard to quality policy in TQM implementation at 55%.
4.5.1 Responses in percentage quality Policy in TQM Implementation

Figure 12 below shows the percentage of responses in regard to various quality policy aspects

**Figure 12: Responses in percentage quality Policy in TQM Implementation**

<table>
<thead>
<tr>
<th></th>
<th>very great extent</th>
<th>large extent</th>
<th>moderate extent</th>
<th>less extent</th>
<th>not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>application of various quality concept</td>
<td>4% 6%</td>
<td>3%</td>
<td>7%</td>
<td>32%</td>
<td>55%</td>
</tr>
<tr>
<td>lack of resources</td>
<td>1% 15%</td>
<td>10%</td>
<td>18%</td>
<td>30%</td>
<td>37% 38%</td>
</tr>
<tr>
<td>internal threat</td>
<td>7% 18%</td>
<td>10%</td>
<td>15%</td>
<td>31%</td>
<td>39%</td>
</tr>
<tr>
<td>lack of adequate information</td>
<td>7% 15%</td>
<td>9%</td>
<td>10%</td>
<td>31%</td>
<td>39%</td>
</tr>
<tr>
<td>low understanding of TQM by other staff</td>
<td>5% 14%</td>
<td>18%</td>
<td>24%</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>low capacity among personnel</td>
<td>7% 20%</td>
<td>14%</td>
<td>24%</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>resistant to change</td>
<td>7% 19%</td>
<td>18%</td>
<td>26%</td>
<td>31%</td>
<td></td>
</tr>
</tbody>
</table>

From the figure 12 above: The respondents were asked to select the responses which best represent the level of agreement with the following statements in regards to quality policy in TQM implementation; Low understanding of TQM by other staff was agreed on to a very great extent at 18.2% compared to other aspect whereas Internal threat was not at all agreed on at 10.2% as shown in the Table 3 below.
Table 3: Percentage level of agreement quality Policy in TQM Implementation

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>Less extent</th>
<th>Moderate extent</th>
<th>Large extent</th>
<th>Very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resistant to change</td>
<td>6.6</td>
<td>19.0</td>
<td>30.7</td>
<td>26.3</td>
<td>17.5</td>
</tr>
<tr>
<td>Low capacity among personnel</td>
<td>7.3</td>
<td>19.7</td>
<td>35.0</td>
<td>24.1</td>
<td>13.9</td>
</tr>
<tr>
<td>Low understanding of TQM by other staff</td>
<td>5.1</td>
<td>34.3</td>
<td>18.2</td>
<td>24.1</td>
<td>18.2</td>
</tr>
<tr>
<td>Lack of adequate information</td>
<td>6.6</td>
<td>38.7</td>
<td>9.5</td>
<td>30.7</td>
<td>14.6</td>
</tr>
<tr>
<td>Internal threat</td>
<td>10.2</td>
<td>29.9</td>
<td>17.5</td>
<td>35.8</td>
<td>6.6</td>
</tr>
<tr>
<td>Lack of resources</td>
<td>.7</td>
<td>15.3</td>
<td>39.4</td>
<td>37.2</td>
<td>7.3</td>
</tr>
<tr>
<td>Application of various quality concept</td>
<td>2.9</td>
<td>32.1</td>
<td>54.7</td>
<td>5.8</td>
<td>4.4</td>
</tr>
</tbody>
</table>
4.6 Total Quality Management systems and financial performance results

The respondents were asked to select the responses which best represent the level of agreement with various issues in respect to TQM systems and financial performance results. The results are as shown in figure 13 below.

Figure 13: Total Quality management systems and financial performance

The study found out that proper TQM systems and financial performance results leads to change in total assets at 62%, followed by increase in return on assets at 61%. However most respondents attributed that implementation of TQM at a very little extent leads to increased sales at 54%. But general conclusion based on the aspects it was realized that all the aspects are majorly attributed positively with proper TQM implementation as shown in the bar graph figure 13 above.
4.7 Other analysis

4.7.1 Correlation in regard to Designation
On correlation, the results revealed significant correlation in regard to designation of the respondents. The result revealed significance in some aspects; Provision of quality services to its stake holders correlating at 0.264 at 0.01 significant level; Creating and sustaining, clear vision, goals, targets and shared values 0.371 at 0.01 significant level; Management responses to customers complaints at 0.252 at 0.01 significant level; Low capacity among personnel 0.269 at 0.01 significant level; Lack of resources 0.338 at 0.01 significant level; Increased change in operation income 0.265 at 0.01 significant level; Increase in return on sales 0.289 at 0.01 significant level.

4.8 Suggestion on improvement of TQM practices in the college
Responses on suggestions of improvements of TQM practices were sought through an open ended questionnaire, among the suggestions includes: Continuous evaluation on all the department operations, embrace continuous improvement so that we can keep on improving from where we are, empowering staff, customer satisfaction assessment and responding to customers, encourage innovation especially from top to bottom level, focus on core business and reduce of unworthy projects, incorporate staff in all levels TQM to various departments, introduce TQM principles in the operation section, involve the stakeholders hotel and tourism industry companies in the management and running of college, listen to its staff decision and grievances and adhering them if possible and giving good reason, management should work together as a team and not sabotaging one another, the college to open up for views across board, discrimination should be avoided, to adhere to organization set strategies, to encourage staffs by offering incentives increased salaries, allowances mortgage schemes, reduction of unnecessary expenses and encouraging more team work.

Other Suggestions included, put in place zero tolerance to ant non TQM non conformities, impunity at all levels should be eliminated, embrace all the principals of TQM and team spirit and team building is key to organisational success.
CHAPTER 5

5.0 DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

This chapter contains a supplementary discussion of the conclusions and implications of the findings of the study. Also the researcher’s opinion of major strengths and weaknesses of the findings are discussed.

5.1 Discussions

The question of TQM implementation and financial performance has not before been under investigation in a hospitality training organization context. Some international studies show a discrepancy regarding the relationship between TQM and financial performance. This study of the relationship between TQM and financial performance noted that efforts have been made to overcome the potential bias that investments in intangible assets when implementing TQM could produce positive results in improvement in financial performance. Examining performance from this point of view provided an estimate of the financial impact of TQM once the benefits of the implementation are noticeable. Logically, the choice of performance measurement relies on the actual interest in what to examine. Furthermore, studying financial performance development in the context of TQM implementation necessitates a study of the impact of historical management decisions and this was taken during the study by all aspects examined scoring over 50% average mean score.

Total quality management requires the highest standards of leadership and teamwork, visible and genuine commitment from chief executive is essential if the organization is to embark on the journey to excellence through TQM, from the results the study established correlation significance in level of agreement in terms of designation of employees, meaning that TQM implementation has been an important aspect for improving organizational efficiency for example provision of quality services to its stakeholders; creating and sustaining, clear vision, goals, targets and shared values and management responses to customers complaints.
Most of the respondents were satisfied with creating and sustaining, clear vision, goals, targets and shared values. The study found out that proper TQM systems and financial performance results leads to change in total assets which scored the highest according to employees level of agreement, this was closely, followed by increase in return on assets. However most respondents attributed that implementation of TQM at a very little extent leads to increased sales. But general conclusion based on the aspects it was realized that all the aspects are major elements that positively affect TQM implementation.

The result realized that management empower employees, develop and encourage innovation to a larger extent, which is important in TQM implementation and this scored the highest. It was found out that really the college’s future depends on the ability of the employee, whether or not they are updating their skills due to the dynamism of the technology and competition in the industry, that's where training comes in. Not only does information arm its employees with the needed professional or technical skills, but it also shows that you have invested in them and that you are interested in bringing them with you into the company's future. This helps keep workers motivated and involved. The management, therefore, should lay emphasis on training the employees to ensure they are equipped with the best skills and they become updated in terms of technological advancement.

From the survey it was realized that most of the respondents have worked at Kenya Utalii College for more than 10 years and this justified the findings from more experienced employees of Kenya Utalii College making responses to be based on past and current TQM implementation and how it affect other aspects in question.

In regard Customer focus in TQM implementation from the findings it clearly outlines that Management measures customer’s satisfaction and rectifies where necessary mean average score was the highest. Meaning that management are very devoted in monitoring customer’s satisfaction and are at and to a lesser extent rectifies any complains or issue that might happen to their esteemed customers as indicated by low mean score in regard to Management response to customers complaints.
Crosby (1984) defined 14 steps for quality improvement, including top and intermediate management commitment, quality measurement, evaluation of quality costs, corrective action, training, a zero-defect philosophy, objective setting and employee recognition. He defined quality as conformity to certain specifications set forth by management and not some vague concept of goodness. These specifications are not arbitrary either; they must be set according to customer needs and wants. He came up with the Four Absolutes of Quality Management which are: quality, defined as conformance to requirements, not as goodness or elegance; the system for causing quality is prevention, not appraisal; the performance standard must be zero defects and; the measurement of quality is the price of non-conformance, not indices.

The study have the same opinion to that Crosby came up with concerning use of a sick human body to diagnose the malaise of collapsing organizations. He proposes that, in order for an organization to stand up again after threat of collapse, it needs to be vaccinated with a substance that is strong enough to boost its immunity. The strong vaccine he proposes is that of TQM. This writer addresses two issues of TQM to clarify his arguments. He looks at management commitment to the organization as very important in the health of the firm; he sees it as crucial for decision makers to demonstrate their own commitment so that the operations human resources can view them as role models.

This was realized in the study by noting that providing staff with required resources, training and development would play an important function in regard to role of leadership in TQM implementation this was attributed to higher percentage mean score. Commitment would subsequently spread throughout the College and the results findings of the study also concurred with Crosby’s second issue of empowerment of employees. He theorizes that employees cannot be fully committed to an organization that disregards their welfare. He emphasizes that employees must therefore be equipped through education and recognition of their human dignity. In this way, the employees can be in a position to commit them to uplifting the quality service of the organization, in full awareness of the benefits they are assured of reaping from their efforts. Crosby’s theories
are relevant to the case study of Kenya Utalii College. One of the problems identified in this case study was lack of resources. It is important for Utalii to investigate areas of resource mobilization which need boosting in order to curb wastage of human resources. The question of empowerment as proposed by Crosby is therefore, crucial for ensuring commitment.

5.2 Conclusions

From the evidence of this research study, it is possible to establish and reach conclusions, some of which theorists’ views, which are. The success of any TQM approach critically depends upon the commitment of top management, who must be, and must be seen to be involved. Top management must establish unity of purpose and direction. Further the study has shown that there is a relationship between successful TQM implementation and financial performance. This implies that TQM, as a means for systematic and holistic quality management efforts, should be profitable in the long run.

5.3 Recommendations

The following recommendations are made on the basis of the findings of the study.

5.3.1 Recommendations to the management

In the analysis of the questionnaire, it became clear that the management needs to offer both formal and informal training in regards to TQM practices in the College. This will realise advantageous financial performance through TQM. Currently the College has no training programmes for employees in respect of TQM. It is recommended that all employees receive more training in the philosophy and principles of TQM.

It has also been emphasised that it is desirable that top management realise that they have an important role in the TQM efforts of an institution. The recommendation made in respect of the deficiencies in the dimension of leadership, namely top management commitment to TQM can also be applied to eliminate the deficiency. Allocating resources is a top management responsibility and is recommended that participation of
top management should be focused on providing a balanced operation to the activities of the institution.

5.3.2 Recommendations for further research

The study was on the effect of TQM on financial performance. Further research can be conducted to identify the effect of TQM on the business performance of the organisation including both financial and non-financial aspects. In an ever-changing world, however, no research can ever claim to be the last word on a specific topic. Specifically this research recommends that further research be undertaken to investigate the effect of TQM on the financial performance of service-oriented firms in the hospitality industry as a whole. The future research can focus on doing a survey of an entire industry.
REFERENCES


Eskildson, L. (1994), *Improving the odds of TQM’s Success,* Quality Progress, Vol. 27 No. 4, pp. 61-63


45


APPENDIX 1: Questionnaire

Questionnaire about Effect of Total Quality Management on the Financial performance of Kenya Utalii College

Dear participants,

I would like to take this opportunity to thank you for agreeing to participate in this survey. You will find a few questions included in this survey questionnaire and I would be glad if you could take a few minutes to complete the questionnaire. All information collected here is strictly for the purpose of analysis. No information of any individual will be disclosed in any form.

SECTION A: GENERAL INFORMATION

1. What's your gender?
   - Male [ ]
   - Female [ ]

2. What's your designation in the organisation?
   - Management [ ]
   - Head of department [ ]
   - Operative staff [ ]

3. Please indicate your level of education
   - Doctorate [ ]
   - Masters [ ]
   - Degree [ ]
   - College [ ]
   - Secondary [ ]
   - Others [ ]

4. For how long have you been in this Kenya Utalii College? ..................
SECTION B: KENYA UTLALI COLLEGE AND TOTAL QUALITY MANAGEMENT IMPLEMENTATION QUESTIONNAIRE

1. Please select the responses which best represent the level of agreement with the following statements in the role of leadership in TQM implementation

<table>
<thead>
<tr>
<th>Items</th>
<th>Very</th>
<th>Dissatisfied</th>
<th>A little bit satisfied</th>
<th>Satisfied</th>
<th>Very satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of quality service to its stakeholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creating and sustaining, clear visions, goals, targets and shared values</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>providing staff with required resource, training and development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>inspiring, empowerment and recognizing staff contribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Encourage team work and performance appraisal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Please select the responses which best represent the level of agreement with the following statements in regards to customer focus in TQM implementation

<table>
<thead>
<tr>
<th>Items</th>
<th>Not at all</th>
<th>Less Extent</th>
<th>Moderate Extent</th>
<th>Large Extent</th>
<th>Very Great</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisation establishes and understands current and future customer needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organisation ensures that it communicates and balances the needs and expectations of customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management measures customer satisfaction and rectifies where necessary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management responses to customer' complaints</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you satisfied with the level of service delivery to customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. Please select the responses which best represent the level of agreement with the following statements in regards to human resource focus in TQM implementation

<table>
<thead>
<tr>
<th>Items</th>
<th>Not At all</th>
<th>Less Extent</th>
<th>Moderate Extent</th>
<th>Large Extent</th>
<th>Very Great Extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent does management empower employee, develop and encourage innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To what extent do staffs establish quality improvement teams, corrective action teams and suggestion scheme</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To what extent do employee participate in organisation decision making</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Please select the responses which best represent the level of agreement with the following statements in regards to quality policy in TQM implementation

<table>
<thead>
<tr>
<th>Items</th>
<th>Not At all</th>
<th>Less Extent</th>
<th>Moderate Extent</th>
<th>Large Extent</th>
<th>Very Great Extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resistant to change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Application of various quality concept</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low capacity among personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low understanding of TQM by other staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of adequate information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal threat</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of commitment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION C: TQM AND FINANCIAL PERFORMANCE

Please select the responses which best represent the level of agreement with the following statements in respect to Total Quality Management systems and financial performance results.

<table>
<thead>
<tr>
<th>Item</th>
<th>Not at all</th>
<th>Very Little</th>
<th>Not sure</th>
<th>Some what</th>
<th>To a great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased change in operating income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in return on assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in return on sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in total assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Wastage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for taking your time to fill this questionnaire.
APPENDIX 2: Staff Establishment in Kenya Utalii College

Staff establishment in Kenya Utalii College

<table>
<thead>
<tr>
<th>Category of Staff</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>6</td>
</tr>
<tr>
<td>Heads of Departments</td>
<td>26</td>
</tr>
<tr>
<td>Operative staff</td>
<td>590</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>622</strong></td>
</tr>
</tbody>
</table>

Source KUC Personnel Records 2012
APPENDIX 3 – Letter of Introduction to management of Kenya Utalii College

Address
Attention Principal
Dear Sir/Madam,

REF: LETTER OF INTRODUCTION – MR. ALVIN NDWIGA GETERIA

I am a student at Kenyatta University pursuing a Master of Business Administration (Finance Option). In partial fulfilment of the requirements for this degree, I am supposed to carry out a Research Project.

The main objective is to investigate the IMPACT OF TQM ON FINANCIAL PERFORMANCE OF KENYA UTALII COLLEGE. This is therefore to kindly request your approval to enable me carry out the research in your organisation. A number of staff randomly selected will be interviewed and required to fill the attached questionnaires.

The information collected will be strictly used for academic purposes and will be treated in strict confidence. Your organisation and the names of the staff who will participate in this exercise will not be mentioned in the report. A copy of the research project can be made available to you on request.

Your kind assistance will therefore be highly appreciated.

Yours faithfully,

Mr. Alvin Ndwiga Geteria
APPENDIX 4– Letter of Introduction to Respondents

Dear ____________

I am a student at Kenyatta University pursuing a Master of Business Administration (Finance Option). In partial fulfilment of the requirements for this degree, I am supposed to carry out a Research Project.

The main objective is to investigate the IMPACT OF TQM ON FINANCIAL PERFORMANCE OF KENYA UTALII COLLEGE. I kindly request you to provide an honest assessment of these factors by filling the attached questionnaire.

The information collected will strictly be used for academic purposes and will be treated in strict confidence. Please feel free, be frank, honest and objective as you respond to the questionnaire. If the space provided is not adequate, you may use an additional sheet of paper and attach to the questionnaire.

Yours sincerely,

Mr. Alvin Ndwiga Geteria
APPENDIX 5: Work Plan

WORK PLAN (Plan and Schedule of activities)

(i) Plan of activities

<table>
<thead>
<tr>
<th>NO.</th>
<th>ACTIVITY</th>
<th>TIME</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Data analysis</td>
<td>One month</td>
</tr>
<tr>
<td>2.</td>
<td>Compilation, editing and binding of the report</td>
<td>One month</td>
</tr>
<tr>
<td>3.</td>
<td>Submission of the report</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; week of December, 2012</td>
</tr>
</tbody>
</table>

APPENDIX 6: Schedule of Activities

(ii) Schedule of activities

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>ACTIVITY</th>
<th>OCT 2012</th>
<th>NOV 2012</th>
<th>DEC 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>1.</td>
<td>Data collection</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Data analysis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Compilation, editing and binding of the report</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Submission of the report</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## APPENDIX 7: Project Budget

### PROJECT BUDGET

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DETAILS</th>
<th>ESTIMATED COST (KSHS.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td><strong>Cost of Proposal Development</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Printing and stationery</td>
<td>5,000.00</td>
</tr>
<tr>
<td></td>
<td>- Binding (five copies) @ Kshs.200</td>
<td>1,000.00</td>
</tr>
<tr>
<td></td>
<td>- Travelling</td>
<td>2,000.00</td>
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