

**EFFECTS OF TOTAL QUALITY MANAGEMENT IMPLEMENTATION IN
PERFORMANCE OF MICROFINANCE INSTITUTIONS IN KENYA:**

(A Case of K-Rep Development Agency (KDA))

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

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DEDICATION

This work is dedicated to my husband Mr. Caleb Odhiambo and our daughters Martha Diedra and Pam Farrel of whom have brought something fresh and new to the table of life. To my supervisors Dr. Anyieni and Miss Jedidah Muli who constantly, relentlessly, generously contributed to the success of this work. God bless you all.

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God bless you

ACRONYMS

TQM- Total Quality Management

QMPs- Quality Management Principles

KDA- K-rep Development Agency

ISO- International Organization for Standardization

MFIs- Micro Finance Institutions

DEFINITION OF TERMS

Total Quality Management: - A management philosophy that seeks to integrate all organizational functions that is marketing, finance, design, engineering, and production, customer service, to focus on meeting customer needs and organizational objectives.

Performance appraisal: - An integrated system of performance management which has far reaching consequences for both individuals and the organization the individuals work for.

Performance: - What an employee does or does not do and elements of employee performance are quantity output, quality output, timeliness of output, presence at work and cooperativeness.

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ABSTRACT

Total quality management (TQM) has been proposed to improve business performance and received considerable attention in recent researches. Despite the recent research efforts on effects on total quality management, little work has been done on effects of total quality management implementation in performance of microfinance institutions in Kenya, particularly K-rep Development Agency(KDA). This study sought to establish effects of total quality management implementation in performance of micro-finance institutions in Kenya. The scope of the study targeted micro finance institutions with particular focus on k-rep development agency. The area under study was k-rep development Agency Nairobi region which covers Nairobi and Nakuru counties. The general purpose of the study was to examine the effects of total quality management implementation on business performance in micro finance institutions (MFIs) and the specific objectives were to establish whether Customer Focus in TQM affected business performance in microfinance institutions, to determine whether management leadership in TQM affected business performance in microfinance institutions and examined whether employee involvement in TQM affected business performance in microfinance institutions. This study adopted descriptive and quantitative data design. The main instruments in data collection used were semi-structured questionnaires targeting senior level management, senior business development officers, business development officers, and office assistants. The data was finally coded, analyzed, and presented by means of tables, means, frequencies and standard deviations with assistance of statistical packages for social science (SPSS).The study concluded that excellent performance level is not being realized by the organization, organization focuses on current and future customer need, Leadership though considered to have influence in business performance of the organization has not been given the required level of attention. The study also concluded that employee involvement though considered to have influence in business performance of the organization has not been maximum attention. The study recommended leadership to improve on their level of motivation of their employees, work together and collect information that suggests new approaches. Further studies have also been recommended on MFIs.

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

Organizations globally of varied types have been in existence for a long time they have been created to serve the needs of the society in which they exist. The key concern of these organizations all over the world is their continued existence over time (Walker, 2007). However, such continuous organizational life is not automatically assured (Besanko, Dranove, Shanley, & Schaefer, 2007). David (2009) asserts that “Corporations in every corner of the globe are taking advantage of the opportunity to share in the benefits of world economic development. Market are shifting rapidly and in many cases converging in taste, trends, and prices. In such a competitive environment resulted from world globalization and liberalization, firms survive with much difficulty unless they create the competitive advantage over their competitors (Adam & Lamaunt, 2001; Samson & Terziovski, 1999; Terziovski & Samson, 1999). With the increasing competitive, business survival pressure and the dynamic, changing customer-oriented environment, total quality management (TQM) has been recognized as one of the important issues and generated a substantial amount of interest among managers and researchers (Ahire *et al.*, 1995; Benson *et al.*, 1991; Flynn *et al.*, 1995; Powell, 1995; Samson & Terziovski, 1999; Sousa and Voss, 2002; Terziovski & Samson, 1999). Since 1980s, TQM has been regarded as one of effective ways for firms to improve their competitive advantage (Kuei *et al.*, 2001).

Similarly, the corporate organizations have constantly adopted their activities and internal configurations to reflect the new external realities (Quinn, 1980). Failure to do this puts future success of the organizations in jeopardy (Aosa, 1998). Total Quality Management (TQM) has

therefore become as a management approach of an organisation is centred on quality, based on the participation of all its members and aiming at long term success. This is achieved through customer satisfaction and benefits to all members of the organisation and to society; it is a philosophy for managing organisations in a way which enables them to meet stakeholders' needs and expectations efficiently and effectively without compromising ethical values.

According to Ndirangu (2013) a Policy Consultant on trade, policy and media advocacy, financial institutions in Kenya have been facing this unprecedented competition creating a survival of the fittest environment. Banks and other financial service providers are now interested more than ever before in adopting TQM techniques and tools to survive and excel in such a fierce rivalry environment. The Micro Finance Sector is similarly faced with these major challenges and threats which they are endeavouring to manage. They include changing competitive environment and increasing consumer awareness, competition from other Finance institution like banks and Corporations, high interest rates due to inflation, high default risk, employee's high rate of turnover, political instability like the post-election violence in Kenya as was in 2007/2008, and environmental factors for example, climate change and legal factors. These among many have resulted to poor performance at times in the sector.

K-rep (Kenya Rural Enterprise Program), a microfinance institution that was established in 1984, by an American Private Voluntary Organization, incorporated to address financial, management, and technical capacity needs of Non-Governmental Organisations (NGOs) involved in Micro and Small Enterprise (MSE) development in Kenya; has used TQM to increase its responsiveness to customers, recognising that ultimately its customer base and customer loyalty determine its future success. Other challenges such as long time taken to

complete customer requests or getting loan are evident. The performance of this organization has been going down in spite of TQM implementation (Dondo, 2013).

1.2. Statement of the Problem

The adoption of TQM by organizations has been hampered due to noncompliance with the procedure and principles of TQM implementation. While some organizations, run TQM like a program which they expect to function and perform the magic by itself, others have used half-hearted approach to it, by using some bits and pieces of the principles. This has counted for the failure of most organization in meeting their expected target from implementing this ideology (Ugboro and Obeng, 2000). It is however been advised that MFIs to embrace quality management principles and implement them successfully to be able to delight their customers through efficient quality services. In comparison with manufacturing firms, the service sector has lagged behind not only in terms of implementing the standard, but also in embracing the associated concepts of total quality management and continuous improvement (Ghobadian et al, 1994).

According to TQM experts proper implementation of TQM in institutions is a critical determinant enhancing institutional performance (Coff, 1999). Ghobadian et al. (1998) postulates that the quality management principles (QMPs) when consistently applied across an institution should engender optimal overall performance excellence far more effectively than a series of individually optimised activities. TQM principles must be seen as a “package deal”. To gain the full potential of TQM, KDA must implement all these TQM principles to the greatest extent possible. However, there is an overlap of principles between researchers, and any of them if neglected or not in place, can jeopardize the total effort. The purpose of this study is to establish whether TQM principles employed in Microfinance Institutions have any effect(s) on

performance of the MFIs. An understanding of the various TQM practices employed by Microfinance Finance Institutions (MFIs) would aid to better the level of services quality management that MFIs offer which would impact on its overall business performance.

1.3 Objectives of the study

1.3.1 General objective of the study

The general purpose of the study was to examine the effects of total quality management implementation on business performance in micro finance institutions (MFIs)

1.3.2 Specific objectives of the study

The study aimed at achieving the following specific objectives.

- i. To establish whether Customer Focus in TQM affected business performance in microfinance institutions.
- ii. To determine whether management leadership in TQM affected business performance in microfinance institutions.
- iii. To examine whether employee involvement in TQM affected business performance in microfinance institutions.

1.4 Research questions

- i. Does Customer Focus affect business performance in Microfinance Institutions?
- ii. Does Management leadership in TQM affect business performance in Microfinance Institutions?
- iii. Does Employee involvement in TQM affect business performance in Microfinance Institutions?

1.5 Significance of the study

The study will examine the effects of total quality management implementation on business performance in micro finance institutions (MFIs). The study will be significance to a number of stakeholders. It will yield to data and information useful to the MFIs management in assisting them in implementing quality management in MFIs in the country. The top management of KDA will be able to demystify implementation of quality management in all levels and activities of the institution and to institute a quality department if it is non-existence or improve towards ISO 9001 certification. The study will also assist MFIs in policy formulation and implementation towards customer-focused services. The study will also enable other Kenyan MFIs to understand the concept of quality management to improve their services. The research findings will also seek to extend knowledge in the world of academics in the same area of the study; it will be useful as literature in the area of study. This will benefit other researchers and academicians who will borrow ideas from the study which will serve as a basis for further research.

1.6 Scope of the study

The study examined the various TQM practices employed by KDA and their effects on overall business performance. The research was conducted at KDA's Nairobi region offices which cover Nairobi, Thika and Nakuru. A sample of senior level managers, Senior Business Development Officers, Business Development Officers, and Office Assistants was selected within the organization. The study applied three principles of quality management to assess the extent to which TQM has been implemented at KDA and its effect on overall business performance. In areas where tangible evidence was not obtained to back up arguments and assertions, the study relied on subjective opinions of managers to achieve its objectives.

1.7 Limitation of the study

The major limitation of the study was at first unwillingness of the respondent to answer questions due to the sensitivity of the topic which was more investigative. Even though this was the case, there was the need for clarification from the researcher and research ethical issues of the study were tabled to which then followed the release of information required. The study was selected on K-rep development Agency and therefore the findings cannot be generalized for all microfinance institutions.

1.8 Assumptions of the study

- i. The research assumed that respondents would fully participate and give genuine information.
- ii. It also assumed that adequate data would be collected and that KDA management and staff would be available to give information.
- iii. There is an assumption that management would avail the necessary information and documents the researcher needed.
- iv. There was also an assumption that all respondents understood the concepts, responded to questionnaires as it was required by the researcher.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter gives the insight of the problem under investigation by revisiting previous researches by different authors. It gives Theoretical Review on performance, TQM implementation, quality and performance, service quality, continuous improvement, customer orientation, management commitment and leadership.

2.1 Theoretical Review

2.1.1 Management Theories

In this study a few management theories in general will be explored to illustrate the impact of management on performance. Performance will be viewed in this study as the organization ability to achieve its intended goals. Theory provides the basis for action (Bush & West-Burnham, 1994). In order for the manager to be effective he/she needs a theoretical management base (Beck & Cox, 1980).

Hoyle (1986), states that a management theory is concerned with guiding practice and enables the practitioner to improve the organization's effectiveness. This implies a relationship between management and performance. Hoyle and MacMahan (1986) concur with Hoyle's statement adding that management theory is guiding practice which also includes decision-making and authority.

2.1.2 Motivation Theories

The manager has to be able to motivate the people to give their best and remain committed to their task even under stressful circumstances and derive a sense of satisfaction from their work (Clarke 2007).

2.1.3 Theory X and Y

According to Hanson (2003) Theory X assumes that workers are indolent and work as little as possible. The Theory further assumes that workers lack ambition, dislike responsibility and prefer to be led. Workers are resistant to change and are indifferent to the needs of the organization. Hanson (2003) further states that because of the above mentioned assumptions workers must be coerced controlled or threatened with punishment in order to achieve the desired goals. Robbins (2000) concurs by stating that Theory X is basically negative in view.

The managers who practice this approach have assumptions about workers and base his or her assumptions on those assumptions. Theory Y assumes that the natural condition of humans is not to be passive or resistant to organizational needs (Hanson 2003). The Theory is basically positive. It further infers that capacity for assuming responsibility, ability to direct behavior toward the completion of organizational goals and the potential for personal growth is present in all workers. It states that men and women will exercise self-direction and self-control if they are committed to the objectives of the organization.

According to Rue and Byars (2000) a manager's attitude towards human nature has a large influence on how that person behaves as a manager. They conclude that the manager who views workers on the basis of Theory X would be likely to use a more authoritarian style of management than managers who believe in Theory Y. The application of either Theory X or Y

by management will have an impact on how workers perform in achieving the organizational goals. Either of the Theories might be right in particular situations.

2.1.4 Maslow's Theory

Rue and Byars (2000) stated that this Theory assumes that workers as individuals have needs that motivate them to work when satisfied. According to Daft, and Noe (2001) this Theory proposes that humans are motivated by multiple needs and that such needs vary in importance. Linstead, Fulop and Lilley (2004) categorize the needs into high order needs and low order needs. The higher order needs are self-actualization which include need to reach ones full potential. Rue and Byars (2000) add that doing things for the challenge of accomplishment, intellectual curiosity, creativity and aesthetic appreciation and acceptance of reality are part of higher order needs.

Self-esteem need (Linstead, Fulop and Lilley 2004) is another higher order need which is a need for recognition and belief in one's self. Rue and Byars (2000) add confidence and leadership, competence and success, strength and intelligence to the list of needs to be fulfilled. The third one on the higher order needs according to Daft, and Noe (2001) is the social acceptance need which includes need to be able to form satisfactory, affective and supportive relations.

The lower order needs according to Linstead, Fulop and Lilley (2004) are safety and security needs and basic physiological needs. Safety and security needs include the need to feel safe and free from fear. Basic physiological needs include need for food, warmth, shelter and clothing. Rue and Byars (2000) add thirst, sleep, health, body needs, exercise and rest in the physiological needs. Daft and Noe (2001) conclude that low order needs take priority and that they must be satisfied before higher order needs are activated. Needs are satisfied in sequence.

They further state that employees are motivated by different types of needs. The duty of the manager is to be conscious of the workers' needs so that the workers will be motivated to perform.

2.1.5 Scientific Management Theory

This management approach is aimed at increasing productivity and makes work easier by scientifically studying work methods and establishing standards (Rue & Byars, 2000). This can be done through the selection and training of workers and supervisory support (Schermerhorn 2005). This management approach is also a method to address motivation because it offers wage incentives by linking pay to the outputs (Daft and Noe, 2001).

Fayol, cited in Hanson (2003), outlines the assumptions of the Scientific approach about workers. He states that workers are unable to work out the relationships of their positions without detailed guidance from their superiors. He further states that coordination at work will not be achieved unless it is planned and directed from above.

The principles of the Scientific Management approach according to Hanson (2003:19) are that the manager has to find a basic unit of work in any task through the use of scientific means and measurement. Secondly the most efficient and simplest manner of accomplishing that task has to be defined through the elimination of all wasted motion and resources. Next the procedures and the rules that are required to perform the task should be set for all workers in a prescribed manner.

Schermerhorn (2005) identifies the following steps: The manager has to carefully select workers with the right abilities for the job. The selected workers have to be carefully trained to do the job. They should also be given proper incentives to cooperate with the job 'science'. He further states that the workers should be supported by carefully planning their work and by

smoothing the way as they go about their job. Rue and Byars (2000) add to this by stating that the scientifically selected work area should be taught and developed progressively in order to match the job with the worker. They conclude by stating that the division of work will result in interdependence between management and workers and cooperation will follow naturally. The implication of this approach is that workers perform well when they are trained to do the job, goals of the organisation are clearly articulated and documented and the management is being supportive.

2.1.6 Bureaucracy Theory

Schermerhorn (2005) defines a bureaucratic organization as a rational and efficient form of organization founded on logic, order and legitimate authority. Daft and Noe (2001) concur by stating that such an organization is highly mechanistic characterized by routine highly specialized tasks, extensive formalization through written rules, policies and procedures, centralization of authority, narrow spans of control and a strict chain of commands.

The proponent of this approach is Weber cited in Schermerhorn (2005) who outlines the following characteristics of bureaucracy: clear division of labour, clear hierarchy of authority, formal rules and procedures, impersonality, and careers based on merit.

Linstead, Fulop and Lilley (2004) add to the list of characteristics by stating that work rules and regulations are established by management, the job results evaluated by supervisors or senior management, pay levels are based on seniority, freedom of action heavily limited by organizational guidelines, rules and procedures, policies are established by management, screening and selecting new employees accomplished by a computerized system, policies, rules and guidelines have to be based on methods that allow accurate calculation of outcomes, senior management take risk and responsibility for failures, resources for carrying out work are

allocated by management, decisions and activities are centralized, people are recruited on the bases of merit and qualification, no one is irreplaceable, following rules is what counts most and rules are portrayed as being impartial and equitable. The proponents of this Theory argue that it is rational and efficient and it is possible for the management to calculate the results. The Theory does have its disadvantages like excessive paper work and red tape.

2.1.7 Contingency Theories

The Situational Theory and the Path Goal Theory will be discussed as Contingency Theories. Daft & Noe (2001) identify the Situational Theory of Hersy and Blanchard and the Path Goal Theory of Evans and House that form the Contingency Theories. The former Theory states that people at work vary in readiness level. People low in task readiness, because of little ability, training or insecurity need a different management approach than those who are high in readiness and have good ability, skills, confidence and willingness to work. The latter Theory asserts that it is the manager's responsibility to increase the followers' motivation to attain organisational goals. Daft & Noe (2001) conclude that the manager has to match his/her management approach with the organizational situation then offer the best solution.

Linstead and Linstead cited in Linstead, Fulop and Lilley (2004) state that these Theories set themselves the objective of identifying as many solutions to the problems as possible. The best solution for the organisation and environment is then chosen. The nature of the task, the structure of the organization, the human factors and the technology involved must all be taken into consideration before the decision is made. This Theory maintains that different situations and conditions require different management approaches and the proponents believe that there is no one best way to manage but the best way depends on the specific circumstances (Rue and Byars 2000).

2.1.8 Systems Approach Theory

Barnard cited in Schermerhorn (2005) defines the System Approach Theory as a collection of interrelated parts working together towards a purpose. He views organisations as systems that achieve great things by integrating the contributions of individuals to achieve the common purpose. Robbins (2000) agrees with the former view by adding that the Systems Approach views organisations as made up of interdependent factors including individuals, groups, attitudes, motives, formal structure, interactions goals status and authority. Another definition of the Systems Approach is that it is a way of thinking about the job of managing that provides a framework for visualizing internal and external environmental factors as an integrated whole (Rue & Byars 2000).

The manager views the human, physical and informational facets of his/her job as linked in an integrated whole (Rue & Byars, 2000). The manager's job is to ensure that all parts of the organization are coordinated internally so that the organization can achieve its goals (Robbins 2000). The Systems Approach recognizes the importance of environment for the organization's sustainability (Robbins 2000).

It depends on the manager to choose the management approach that suits him/her in order to have an effective and efficient organization that performs according to acceptable standards. No single management approach offers a complete solution and practitioners need to use approaches together (Boddy & Paton 1998). Management approaches may be effective or unproductive, depending upon their application and appropriateness to given situations (Pettinger, 2002).

2.1.9 Performance

The organization has to set clear performance standards which the workers have to meet in order for the workers to perform. Performance is essentially what an employee does or does not do and elements of employee performance are quantity output, quality output, timeliness of output, presence at work and cooperativeness (Mathis & Jackson, 2004). Fox (2006) states that performance depends on the motivation and ability of individuals. He continues to state that individuals must be willing to do the job, know how to do it, be able to do it and must receive feedback on how they are performing. He further states that the management duty must be to coach and provide support to workers. This statement shows the importance of management on the performance of workers. Mathis and Jackson (2004) indicate that performance provides a link between organizational strategies and results. Fox (2006) adds that the organisational performance is the product of factors which include organization structure, knowledge, non-human resources, strategic positioning and human processes. These factors play a role in the performance of the organization.

The management of the organization must set the performance standard for the workers. Mathis and Jackson (2004) define performance standard as the expected level of performance. Performance has to be managed (Mathis & Jackson, 2004). They continue to state that the performance management system attempts to identify, encourage, measure, evaluate, improve and reward employee performance. They suggest that performance management must be consistent with the strategic mission of the organisation, must be beneficial as a development tool, must be useful as an administrative tool, must be legal and job related, must be viewed as generally fair by employees and must be effective in documenting employee performance.

The skills of achieving optimum organizational performance according to Fox (2006) are that the management must establish clear expectations for the workers, provide an effective feedback and communicate appropriate consequences for success or failure. He further suggests a model to manage performance (Achievement Model). This Model covers the aspects of motivation, ability, understanding, organizational support, environmental fit, feedback and validity.

Bach (2005) defines performance appraisal as an integrated system of performance management which has far reaching consequences for both individuals and the organization the individuals work for. Performance appraisal is the tool to measure performance of the workers. Mathis and Jackson (2004) define performance appraisal as the process of evaluating how well employees perform their jobs when compared to a set of standards and then communicating that information to the workers. Thus the effectiveness of management of the organization in monitoring performance can assist the organization to achieve its goals.

2.2 The Concept of TQM

At the forefront of the drive to improve product or service quality is a technique known as total quality management (Tan, 2001). TQM focuses on improving the quality of an organization products and services and stresses that all of the organization's activities should be directed toward this goal (requires the whole organization-wide commitment to TQM). It requires the cooperation of managers in very function of an organization if it is to succeed (Jones & Goerge, 2003).

TQM is a management philosophy that seeks to integrate all organizational functions that is marketing, finance, design, engineering, and production, customer service, to focus on meeting customer needs and organizational objectives (Adam, Flores & Macias, 2001). It views an

organization as a collection of processes. It maintains that an organization must strive to continuously improve these processes by incorporating the knowledge and experience of workers (Manson, 1996).

TQM is an approach to improve competitiveness, effectiveness, and flexibility of an organization for the benefit of all stakeholders (Ahire & Dreyfus, 2000). It is a way of planning, organizing each activity which is made up of a number of practices like customer focus, top management commitment, employee training, employees involvement, process management, supplier teaming, benchmarking, continuous improvement, quality measurement, quality audit, quality planning and leadership. These practices provide an efficient and effective way to improve quality within an organization helping not only to achieve the set objectives (Schein, 1991).

2.3 Empirical Review

2.3.1 Customer focus and Its Effect on Business Performance

Organizational strategy should be developed based on customers' needs. Samson & Terziovski (1999) pointed out that customer focus is the underpinning principles for firms to implement TQM programs. As argued by some scholars, the principle of customer focus could trap organizations into captive markets where they will focus on meeting the needs of existing customers and therefore view their business only through their current customer's eyes. As a result, these companies could fail to drive the search for innovative and novel solutions by ignoring the un-served potential in the market.

Furthermore TQM is combining the knowledge for the customers with other information and use the planning process to organize the future actions, managing the daily activities and achieving company's future goals. The planning process is the liaison that holds together all

TQM activity. The organizations, which want to apply the Total Quality Management, must understand that customers will be satisfied only if every time they receive products and services that accomplish their needs, are delivered at the right time and are priced for value. They are using the techniques of process management to develop processes, which will control the total costs. These processes will be stable and capable in order to achieve customer expectations.

According to ISO 9004:2000, the key benefits of this include: increased revenue and market share obtained through flexible and fast responses to market opportunities; increased effectiveness in the use of the organization's resources to enhance customer satisfaction; improved customer loyalty leading to repeat business. Applying of the principle of customer focus typically leads to researching and understanding customer needs and expectations; ensuring that the objectives of the organization are linked to customer needs and expectations, communicating customer needs and expectations throughout the organization; measuring customer satisfaction and acting on the results; systematically managing customer relationships; ensuring a balanced approach between satisfying customers and other interested parties.

According to the Oakland model, quality should be seen as customer-serving process rather than a department. Clause of customer related process under ISO 9001: 2000 requires the organization to identify and document requirements and document requirements and to clarify with the customers the requirements and to clarify with the customer the requirements it is to fulfill as part of the contract. Similarly the organization should ensure that the objectives of the organization are linked to the customer needs and expectations and such customer needs and expectations are communicated throughout the organization. The customer focus is beneficial to the organization because it enhances customer loyalty; increases revenue and market share and also increases effectiveness in the use of resources (KEB, 2008). An effective management

system must ensure that the organization has a strong customer focus. Customer needs and expectations must be determined and converted into product requirement, customer focus means putting emphasis and energy into satisfying and even exciting customers and also understanding the fact that increased performance is the outcome of satisfied customers.

2.3.2 Management leadership and Its Effects on Business Performance

Management leadership is considered to be another major driver of TQM and it has a significant influence on determining whether or not a TQM program can be implemented effectively (Soltani, 2005). Management leadership in fact, refers to how management level guides and supervises personnel of a firm in an appropriate manner. Management level provides the necessary resources for training employees to meet the new requirements and/or changes that are resulted from TQM implementation, and consequently, creates a work environment which is conducive to employee involvement in the process of changes (Kaynak, 2003; Wilson & Collier, 2000). In addition, effective management leadership is critical to influence the decision of selecting qualified suppliers and certifying suppliers for quality material (Flynn *et al.*, 1995; Trent & Monczka, 1999). Management level is also responsible for mentoring product design and considering market demands & consumer needs (Deming, 1986; Flynn *et al.*, 1995). In other words, the focus of management is essential for firms to produce goods that are manufacturable and meet the needs of customers (Flynn *et al.*, 1995; Juran, 1981). In conclusion, management level plays a significant role on conducting organizational operation and also highly influences the decision-making and resource allocation processes for supplier management and design management, respectively. Therefore, the authors propose that management level has positive effects on human resource, suppliers' management, and design management.

Empirical research consistently shows that top management has a major role in guiding the organizational activities towards better performance (Eman, et al, 2007). As cited in Homburg et al. (1999). For instance, Young et al, (2001) found that top management has the upper hand in the guiding and directing the organization to adopt and implement TQM. They argue that institutional factors have more effect on the long run; still top management is the one who takes the early decisions to adopt any managerial innovations or changes. Likewise, charismatic leadership is often mentioned as a key for the adoption and success of TQM (Reed et al. 2000) and (Young, et al. 200). Eman, et al. (2007) proposed that top management commitment and leadership should be more strongly associated with competitive advantage than other components. According to Dwyer (2002) competitive advantage comes through people and quality context, management through quality. It is the people who differentiate a company from its competitors. He further noted that efficiency in leadership is key as this competitive advantage can only be gained where staff are committed and competent which in turn increases productivity and enhance quality. Ng, (2011) indicated that leaders must proactively assume positive outlook, constantly shaping the competitive landscape, and steering the firm to their desired course. Rather than accepting status quo, they always examine alternatives and develop new approaches to problem solving. Moreover, they emotionally connect with colleagues and subordinates by establishing open communication links, thereby inviting new ideas and fresh approaches to getting things done.

Bass (1985) highlight characteristics that leaders that are transformational should possess. They include idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. Schneider, & George, (2011) as cited in Bono & Judge, (2003) suggest that transformational leader practices influence followers to achieve goals, increase

confidence, commitment and job performance. Therefore transformational leadership is significantly related to team commitment and an empowered team environment which leads to a firm gaining competitive advantage as all employees work towards achieving same goals. Snell & Dickson, (2011) suggested that the ability to facilitate change is another aspect of good leadership. Providing a sense of direction for the organization and taking on a role of embracing and supporting change and becoming a change agent within the organization are considered key actions in facilitating change. They concluded that leadership is effective when a leader has the ability to foster a positive team environment and being able to move that whole team forward as the key abilities of a good leader.

It is clear from the reviewed literature that good leadership, in the form an inclusive environment, is understood to increase the likelihood of having a more effective workplace and team. Such leadership practices could be assumed to benefit an organization in terms of improving or maintaining employee engagement (Pearce et al, 2007). When staff are committed and work as a team, this increases a company's competitive advantage as the team work smoothly thus become more effective which impact their productivity positively. According to ISO 9004: 2000, the key benefit include: minimized miscommunication between levels of the organization; people will understand and be motivated towards the organization's goals and objectives; activities are evaluated, aligned and implemented in a unified way. Similarly, applying the principle of leadership typically leads to: considering the needs of all interested parties including customers, owners, employees, suppliers, financiers, local communities and society as a whole; establishing a clear vision of the organization's future; setting challenging goals and targets; creating and sustaining shared values, fairness and ethical role models at all levels of the organization; establishing trust and eliminating fear; providing people with the

required resources, training and freedom to act with responsibility and accountability; inspiring, encouraging and recognizing people's contributions.

Top management has to demonstrate leadership by providing unity of purpose through appropriate quality policy, ensuring that measurable objectives are established, and demonstrating that they are fully committed to developing, sustaining and improving the quality management systems. Leadership of an organization has the capacity and authority to create and maintain the internal environment of an organization. The top management needs to establish a clear vision of the organizations future and probably set challenging goals and targets to achieve them. They should also provide the requisite resources including training and development of staff; inspire, encourage and reward people's contributions. The management must ensure that the quality management system is effectively implemented and maintained and they are responsible for ensuring that actions are taken without undue delay to eliminate and detect non-conformities.

2.3.3 Employee involvement and Its Effects on Business Performance

Organizations must understand that the success of the project is depending on the employees-managers. Managers-leaders are taking the personal responsibility for implementing, promoting, and monitoring the whole amount of the activities. The employees are properly trained, capable, and they have an active participation (must not be passive) for the achievement of company's goals. Management and employees are working together in order to create a strong value environment where people are having the primal role.

Employees must be able to measure and utilize quality data efficiently and effectively (Ahire & Dreyfus, 2000; Ho *et al.*, 1999). The study of Ho *et al.* (2001) indicated that human resource, which includes employee training and employee relation, was positively related to

quality improvement, which was mediated through utilizing quality data and reporting. Thus, whether or not a TQM program will be successfully implemented mainly depends on the collaboration and coordination among a firm's workforce. An effective implementation of TQM can be derived from employees' understanding of the philosophy and principle of TQM implementation.

Furthermore, if employees have high consciousness of TQM, the data and reporting of quality control prepared by working staffs will be easy to uncover the reality and thus, can be used to correct quality flaws or mistakes immediately and effectively. In this way, the authors propose that better human management will result in more positive effect on producing quality data and reporting (Ahire & Dreyfus, 2000; Ho *et al.*, 1999). According to ISO 9004:2000, the benefits likely to be derived from employee involvement include motivated; committed and involved people within the organization; innovation and creativity in furthering the organization's objectives; people being accountable for their own performance; people eager to participate in and contribute to continual improvement. Similarly, applying the principle of employee involvement leads to: employee openly discussing problems and issues; people freely sharing knowledge and experience; people actively seeking opportunities to enhance their competence, knowledge and experience; people evaluating their performance against their personal goals and objectives; people accepting ownership of problems and their responsibility for solving them; people understanding the importance of their contribution and role in the organization.

According to Oakland, J. in 2005, involving employees means sharing knowledge, encouraging, and recognizing their contributions. It also entails utilizing their experience and operating with integrity. Involvement creates awareness among the people in the organization of

the importance of meeting customer requirements. People get involved in the organization when they can identify constraints to their performance, evaluate their performance against set standards, actively seek opportunities to enhance their competence and freely share their work experience and knowledge. Employees' involvement acts as a strong stimulant and motivator to work, enhances creativity and innovation, provides an environment for people to accept ownership of problems and their responsibility to solve them and help understand the importance of their contribution in the organization.

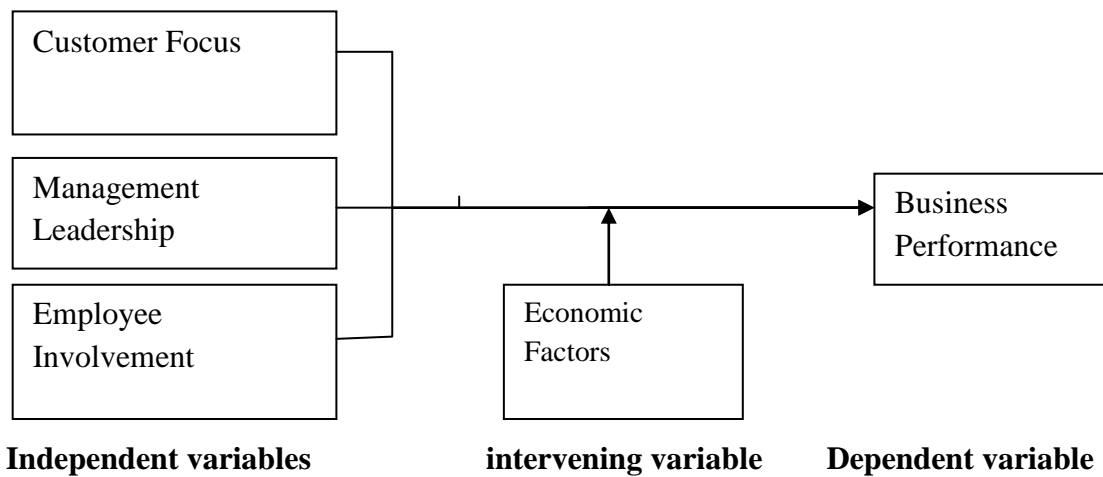
2.4 Summary of Literature and Research Gaps

Researchers have greatly looked at the variable in details. However, a large number of literatures are written from a different cultural context as compared to the local culture under study. Kenya is still a developing economy and most of the structures have not been put in place, meaning that some of the ways proposed by some of the scholars to be the way forward may not work due to unpredictability of the situations in the country including riots, political violence, public demonstrations, and changes in trade policies, among many others. Some of these unique environmental factors that face a country like Kenya have not been studied keenly.

Secondly, organizational culture is thinly defined to mean that all are expected to behave in a certain way. As much as this works best in the western world, it might be difficult especially in African countries like Kenya that has many cultures and vary in the way they look at things. Literature has not considered the variations of the different cultures exhibited by people who bring the same to the firms (people who influence culture in an organization)

2.5 Conceptual Framework

Figure 2.1: Conceptual Framework



Source: researcher (2013)

The relationship of the independent variable is reviewed to establish if there is any relationship between the three factors and business performance. It is expected that product customer focus has a positive correlation with business performance, since it is the customer who determines what the business is (Pheny & Teo, 2003). Management leadership is also expected to have a positive correlation to business performance, since quality is viewed as ultimately and inescapably the responsibility of top management (Hackman & Wagenman, 1995). Employee involvement is expected to have an influence on business performance, since people who know the most about what is right or wrong with a system or process are those who do it (Mohanty & Lakhe, 2002). The indicators will be increased market share, communication effectiveness and motivation for the independent variables respectively. The intervening variable is taken to be government regulations since organizations have no control over such.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section outlines the research design that was adopted and the methods of data collection and analysis employed to answer the research questions.

3.2 Research Design

This study adopted a case study method since the method allows an in-depth focus on the case of the study and as such it gave room for the researcher to keenly examine the effects of total quality management implementation on business performance in micro finance institutions. The researcher preferred case study approach because it involves in depth, contextual analysis of similar situations in other organizations, where the nature of the problem happens to be experienced in the current situation in cognizance of the research design. Mugenda & Mugenda (2003) notes that, a case study is a very powerful form of quantitative analysis. It is a method of study which focuses on depth rather than in breadth.

The researcher used a research design for descriptive and diagnostic research studies. Descriptive research studies was concerned with the description of particular variables; while diagnostic research studies determined the frequency with which such variable occurred or was associated with another. The design in this study was rigid and not flexible and focused attention on: formulating the objective of the study, designing the methods of data collection, selection of sample, collection of data, processing and analysis of data, and reporting the findings.

3.3 Location of the study

The study was carried out in Nairobi and Nakuru counties which forms KDA's Nairobi region. This region has three offices which has a population of 185 employees.

3.3.1 Target Population

The study population was employees of K-rep Development Agency. This was a population of about 185 employees. The target population was however 185 people, which consisted of senior level managers, Senior Business Development Officers, Business Development Officers, and Office Assistants.

Table 3.1: Target population

Cadre of staff	Target number	Percentage 30%
Senior Level Managers	10	5.4
Senior Business Development Officers	20	10.8
Business Development Officers	145	78.4
Office Assistants	10	5.4
TOTAL	185	100

Source: KDA Human Resource Hand Book (2012)

3.3.2 Sampling Design and sample size

Sampling ensured that conclusions from the study were generalized to the entire population. The researcher employed stratified sampling method for Senior Level Managers, Senior Business Development Officers, Business Development Officers, and Office Assistants.

Stratified sampling method was used since all levels of employees were considered to have equal chance for the study, to increase sample statistical efficiency; to provide adequate data for analyzing the various subpopulations or strata and to enable different research methods and procedures to be used in different strata (Cochran, 1977). The size of the strata sample was calculated according to how large the total sample was, and the total sample was allocated among various strata proportionately. Reason for proportionate stratified sampling procedure was

because: it was much easier to carry out, it had higher statistical efficiency, and it provided a self-weighting sample (Henry, 1990)

The method of proportional allocation was ($n_i = n.P_i$), whereby P represented the proportion of the population included in the stratum i, and n represented the total sample size. The number of element selected from stratum i was $n.P_i$ (Henry, 1990)

Mugenda & Mugenda (2003), states where time and resources allow a big sample should be taken. This enables findings to be a true representative of the whole population. The author further said that the sample size should not be less than 30% of target population. 30% of the targeted population was therefore picked for the study.

Table 3.2: Sample Size

Cadre of staff	Sample (30%)	Population	percentage
Senior Level Managers	3		5.4
Senior Business Development Officers	6		10.7
Business Development Officers	44		78.5
Office Assistants	3		5.4
TOTAL	56		100

Source: Researcher (2013)

3.3.3 Sampling and Sampling Procedures

Sampling is the process of selecting a number of individuals for a study in such a way that the individual selected represents the large group from which they were selected (Mugenda & Mugenda, 2003). In this study, stratified and random sampling was used. The whole organization was divided according to different levels of employees. That was the senior level

management, senior business development officers, business development officers, and office assistants. Each level of management was a stratum. Stratified sampling was used to select the desired number of respondents in each stratum. Stratified sampling method was used since all levels of employees were considered to have equal chance for the study.

Further, random sampling was used to avoid any biasness. A sample was however large enough to represent the target population. In this study 30% of the targeted population was selected. The firm was divided into four main strata that was: Senior Level Managers, Senior Business Development Officers, Business Development Officers, and Office Assistants.

3.4 Data Collection Methods and Techniques

The main instrument in data collection was through semi-structured questionnaires targeting Senior Level Managers, Senior Business Development Officers, Business Development Officers, and Office Assistants. The questionnaires were administered to the respondents by the researcher. This was because of merits claimed on behalf of the method which are as follows: large sample can be made use of and thus the results can be made more dependable and reliable; respondents, who are not easily approachable, can be reached conveniently; respondents have adequate time to give well thought answers; it is free of bias from the interviewer- answers are in respondent's own words; and there is low cost even when the universe is large and widely spread geographically.

3.5 Data Collection Instruments and procedures

The researcher used questionnaires as the primary data collection tool which was administered to the respondents. A questionnaire is a research tool that gathers data over a large sample (Kombo *et al.*, 2006). With the questionnaire, the findings remain confidential, save time

and since they are presented in paper format there is no opportunity for bias. Data received from questionnaires can easily be arranged and analyzed. Questionnaires were used to obtain data from senior level managers, Senior Business Development Officers, Business Development Officers, and Office Assistants.

The researcher sought permission to conduct the research in the organization. On appropriate date, the researcher administered the questionnaire to the respondents on agreement with the respondent. There was an introductory note to let the respondent feel free to participate. Questions that were not clear to the respondent were clarified. The questionnaires were administered by the researcher. The researcher ensured that the questionnaires were received at the right time and that everything was clarified clearly to the respondents before they responded to the items in the questionnaire. Prior to this, the researcher liaised with the relevant authorities to allow the study to be carried out and conducted a pilot study to familiarize with the respondents.

3.6 Validity and Reliability of Research Instruments

Validity is the extent to which differences found with a measuring tool reflect true differences among respondents being tested. The purpose of validity in the study was to seek relevant evidence that confirms the answers found with the measurement device which is the nature of the problem. The validity of the instruments was ensured through constructive criticism from the project supervisor who has had an extensive experience and expertise in questionnaire. The items were revised and improved according to the supervisors' advice and suggestions.

On the other hand reliability is the accuracy and precision of a measurement procedure. The reliability of the instrument was improved through pre-testing. Pre-testing involves relying

on colleagues, respondents' surrogates or actual respondents to refine measuring instrument reliability. It was done in order to limit the distorting effects of random efforts on the findings.

3.7 Pilot Survey

In order to obtain the required information from a cross-section of informants, the identification of the informants was done. A pilot survey was done prior to the actual study in Nakuru office. Questionnaires were administered to six selected employees who responded positively and two employees were interviewed to determine validity of the research tools. The aim of pilot survey was to point out weakness in the questionnaire which was then reviewed and rectified.

3.8 Data Processing and Analysis

Data collection led to data processing and analysis. The data collected from the field for the purpose of the study was edited and coded for completeness and accuracy of information at the end of every field data collection day. The quantitative data and descriptive statistics was analyzed by the use of statistical package for social scientists (SPSS) and results reported in the tables showing percentages , frequency distributions, mean and standard deviation

3.9 Data Management and Ethical Considerations

Prior to field activities, the researcher obtained an introductory letter from Kenyatta University. She also sought permission from relevant organization authorities to carry out the research in their firm. Every after field work, the report was edited and kept for data analysis. The respondent's consent was sought and confidentiality was observed. Everything said and talked about was kept confidential and the respondents were made to understand that the study

was meant for academic purposes only. An introduction letter confirming that the research information will be treated confidentially and meant for academic purposes was also attached.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter shows on how data collected from 53 respondents from various departments were analyzed and presented. Tables, narratives and descriptions are used to organize and analyze the data to explain the effects of total quality management implementation on performance of micro finance institutions in Kenya.

4.2 Response Rate

56 questionnaires were administered to 56 respondents and 53 were received back, representing a 94.64% response rate. This was possible since the questionnaires were administered in person by the researcher who after administering the questionnaires, waited for the respondent to complete and collected immediately. This ensured that the sample size as was originally designed remained the same thereby ensuring representativeness of the target population and validity of the result of the study. The pie chart below represents the response rate

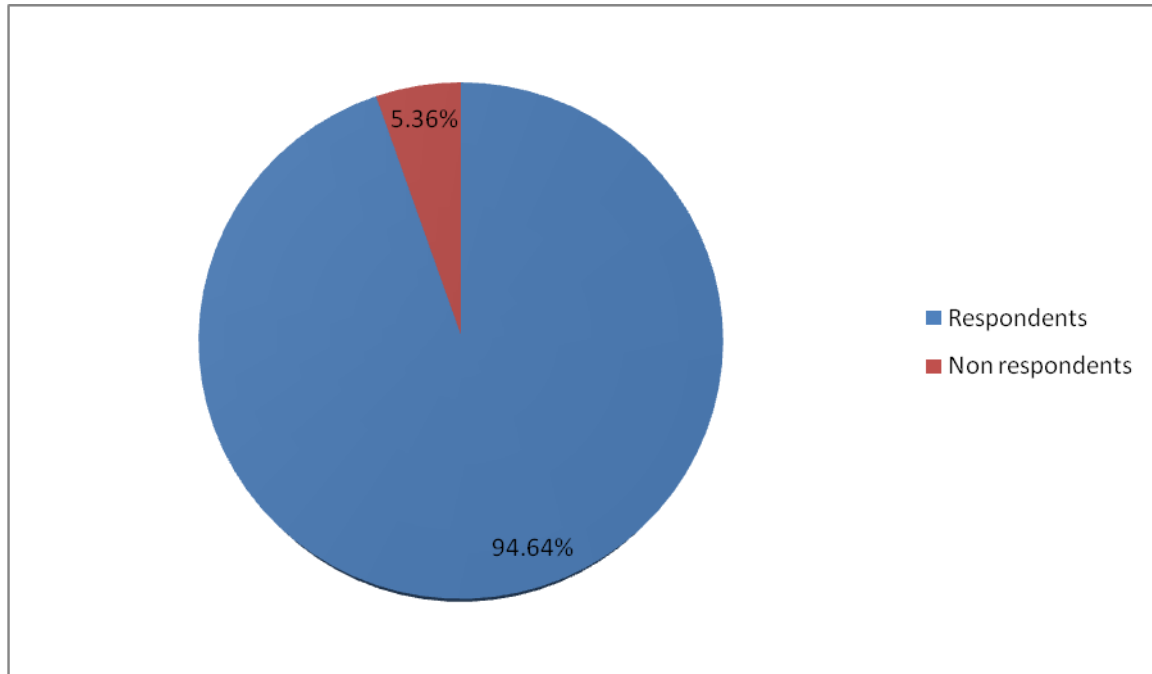


Figure 4.2: Response Rate

Source (researcher, 2014)

4.3 Respondents' characteristics

This section discusses the distribution of the respondents by age bracket, area of operation, and level of education. These attributes were relevant to the study since they have a bearing on the respondent's ability to provide information that is valid, reliable and relevant to the study.

4.3.1 Gender

The study sought to establish gender of the respondents so as to establish on the criteria used by the management in employing employees on gender consideration. In most organizations, private, public, profit making or nonprofit making, there has been call to enhance equity and gender balance in all appointments. The researcher was then motivated to determine whether the organization observes gender balance in its employment.

Table 4.3: showing the distribution by gender of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	24	45.3	45.3	45.3
female	29	54.7	54.7	100.0
Total	53	100.0	100.0	

Source (researcher, 2014)

The findings in the table 4.3 show that female employees formed 54.7% while male employees formed 45.3%. An oral interview with the employees, the researcher found that female employees were viewed to be more faithful in the organization and thus they formed the greater percentage.

4.3.2 Area of operation

The study found it imperative to establish on the area of operation of the respondents. This data was intended for the purpose of establishing on the respondents awareness and level of understanding over the organizational strategies.

Table 4.4: Showing area of operation of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid senior level management	6	11.3	11.3	11.3
senior business development officers	9	17.0	17.0	28.3
business development officers	34	64.2	64.2	92.5
office assistant	4	7.5	7.5	100.0
Total	53	100.0	100.0	

Source (researcher, 2014)

The tables 4.4 shows that senior level management forms 11.3% of the respondent, senior business development officers 17.0%, business development officers forms 64.2%, and office

assistants 7.5%. This implies that business development officers form the largest majority. With this kind of distribution, the researcher was satisfied that all areas were covered.

The graph below shows further the distribution according to the likert scale. Business Development Officers forms the largest respondent.

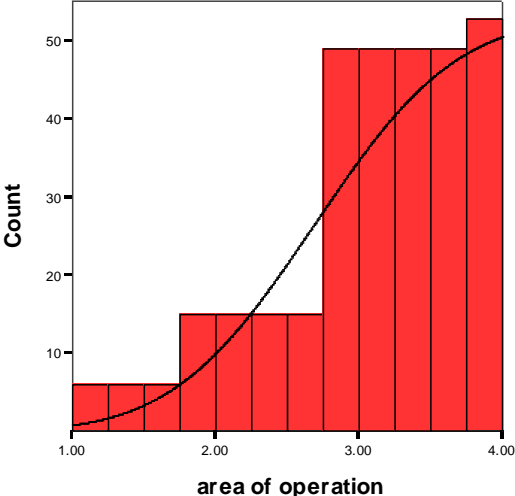


Figure 4.3: Showing area of operation of the respondents

Source: (Researcher, 2014)

4.3.3 Age bracket of the respondents

The researcher found it paramount to establish the age bracket of the respondent. This is a demographic feature that affects behaviors or perception of an individual on issues in organizations. This is because the younger and the mature persons tend to understand a given concept and the more active a person they are as opposed to old people.

Table 4.5: showing the age bracket of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid below 30 years	12	22.6	22.6	22.6
30-39 years	39	73.6	73.6	96.2
40-49 years	1	1.9	1.9	98.1
50 years and above	1	1.9	1.9	100.0
Total	53	100.0	100.0	

Source (researcher, 2014)

The findings as in table 4.5 above shows that 22.6% of the respondents are below 30 years, 73.6% of them are between 30-39 years, 1.9% of them are aged between 40-49 years, and 1.9% are 50 years and above. It was observed that the majority of the respondents were aged between 30 and 39 years.

4.3.4 Level of education

The study sought to establish whether the academic level of the employees at all levels of management had any influence on strategic formulation in response to the industry competition. The respondents were asked to state their highest academic level. The level of education is a key factor when it comes to employee understanding and perception of issues in the organization. The more he or she is likely to relate organizational management approaches and strategies. The results were tabulated as indicated in table 4.6 below. Table 4.6: showing the distribution by level of education

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid secondary	1	1.9	1.9	1.9
college	17	32.1	32.1	34.0
university	35	66.0	66.0	100.0
Total	53	100.0	100.0	

Source (researcher, 2014)

The findings in the table 4.6 show that 1.9% of the respondents have secondary level as their highest level of education, 32.1% have reached college level, and 66.0% at university level. None of the respondent had attained the highest level of education at primary level. This is an indication the respondents are well educated to understand what is happening in the organization, hence able to provide the right information. The result shows that majority of the employees are well educated and thus understand the effects of total quality management implementation on performance of microfinance institutions in Kenya. The finding indicates that the organization employs professionals.

4.4 Specific information

This section deals with specific information of the study with regard to specific objectives of the study.

4.4.1 How business performance of the organization is rated

The researcher felt it important to establish the level of business performance in the organization.

Table 4.7(a): Showing how performance in the organization is rated

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid excellent	7	13.2	13.7	13.7
good	43	81.1	84.3	98.0
poor	1	1.9	2.0	100.0
Total	51	96.2	100.0	
Missing System	2	3.8		
Total	53	100.0		

Source (researcher, 2014)

The count as shown in the graph below clearly indicates the distribution of this rating according to the responses from the likert scale.

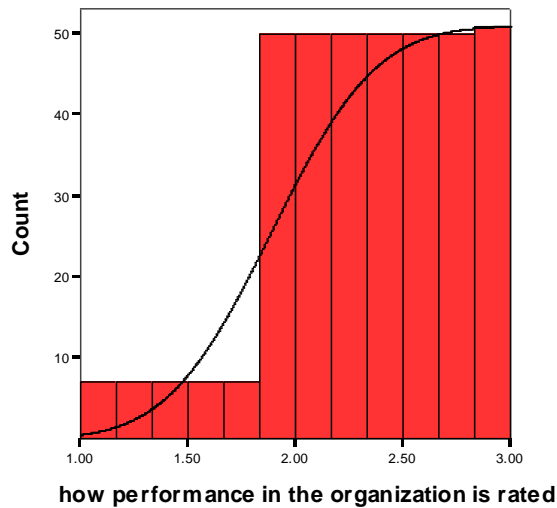


Figure 4.4: showing how performance in the organization is rated

Source: (Researcher, 2014)

The table 4.7 above shows that 13.7% rating of the organization is excellent. 84.3% good and 2.0% rating poor. However 2 respondents did not respond to this question.

Table 4.8: Showing how performance in the organization is rated

	N	Minimum	Maximum	Mean	Std. Deviation
how performance in the organization is rated	51	1.00	3.00	1.8824	0.38195
Valid N (listwise)	51				

Source (researcher, 2014)

According to the likert scale, 1.8824 is approximately 2 which is rated **good**. The organization has good performance.

4.4.2 The extent to which the TQM principles are considered in this organization

The researcher felt it important to establish whether the TQM principles are part of the organizational functional operations. According to TQM experts proper implementation of TQM in institutions is a critical determinant enhancing institutional performance (Coff, 1999).

Table 4.9: showing the extent the principles of TQM are considered in the organization

	N	Minimum	Maximum	Mean	Std. Deviation
the extent customer focus is considered to have influence in business performance of the organization	53	1.00	2.00	1.4528	.50253
the extent leadership is considered to have influence on business performance in the organization	53	1.00	2.00	1.6792	.47123
the extent involvement of people is considered to have influence in business performance of the organization	53	1.00	3.00	2.0755	.67508
the extent process approach is considered to have influence in business performance of the organization	53	1.00	2.00	1.6604	0.47811
the extent system approach to management is considered to have influence in business performance of the organization	53	1.00	2.00	1.5849	0.49745
the extent continual improvement is considered to have influence in business performance of the organization	53	1.00	3.00	1.7170	0.49526
the extent factual approach to decision making is considered to have influence in business performance of the organization	53	1.00	3.00	1.7925	0.49453
the extent mutual beneficial supplier relationships is considered to have influence in business performance of the organization	53	1.00	3.00	1.8868	0.50613
Valid N (listwise)	53				

Source (researcher, 2014)

The table 4.9 above shows mean and standard deviations of 1.4528 and 0.50253 with mean approximately 1, meaning that customer focus is highly considered, 1.6792 and 0.47123, mean with which is approximately 2, meaning that leadership is considered, 2.0755 and 0.67508 ,mean with which is approximately 2, meaning that involvement of people is considered, 1.6604 and 0.47811 mean with which is approximately 2, meaning that process approach is considered, 1.5849 and 0.49745, mean with which is approximately 2, meaning that system approach is considered, 1.7170 and 0.49526 with mean approximately 2, meaning that continual improvement is considered, 1.7925 and 0.49453 with mean approximately 2, meaning that factual approach to decision making is considered, 1.8868 and 0.50613 with mean approximately 2, meaning that mutual beneficial supplier relations is considered.

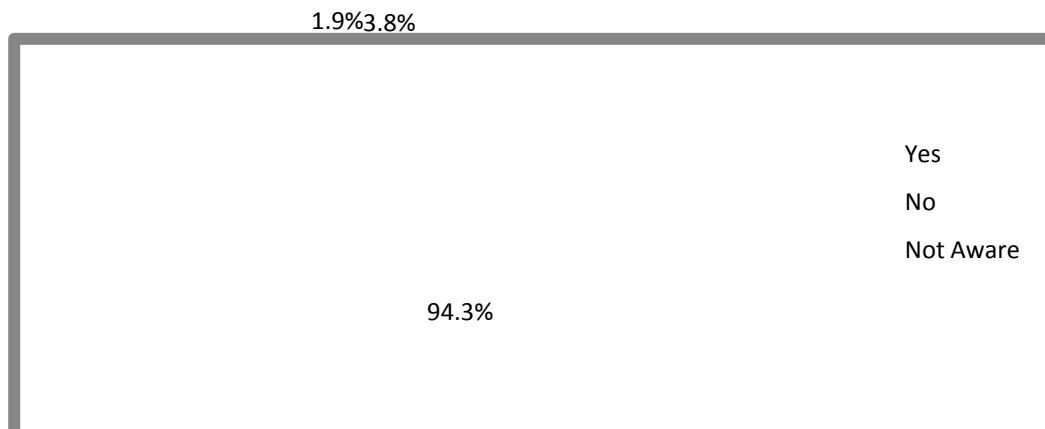
4.4.3 Whether the organization focus on understanding customer needs.

The researcher felt it important to establish whether the organization focuses on customer needs. This is because customers are the most important people in the business (life blood of the business), and the business depends on them. It is the job of the organization to satisfy customer needs. TQM therefore focuses every aspect of the organization’s activity towards customer needs.

Table 4.10: Whether the organization focus on understanding current and future customer needs

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	50	94.3	94.3	94.3
No	1	1.9	1.9	96.2
Not aware	2	3.8	3.8	100.0
Total	53	100.0	100.0	

Source (researcher, 2014)



Source: (Researcher, 2014)

Figure 4.5: whether the organization focus on understanding current and future customer needs

The table 4.10 and figure 4.3 above shows that there is 94.3% **YES**, 1.9% **NO**, and 3.8% response of **NOT AWARE**. This means that the organization focus on understanding current and future customer needs.

4.4.4 Benefits as a result of customer focus in the organization.

The researcher further enquired about the benefits as a result of customer focus in the organization. This is because customer focus typically leads to researching and understanding customer needs and expectations, ensuring that the objectives of the organization are linked to the customer needs and expectations.

Table 4.11: whether increased revenue and market share obtained through flexible and fast response to market opportunities is considered to be the outcome of customer focus in the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	52	98.1	98.1	98.1
No	1	1.9	1.9	100.0
Total	53	100.0	100.0	

Source (researcher, 2014)

About the question whether increased revenue and market share obtained through flexible and fast response to market opportunities is considered to be the outcome of customer focus in the organization, the table 4.11 indicate 98.1% **YES**, 1.9% **NO**.

Table 4.12: Whether increased use of the organization's resources to enhance customer's satisfaction is considered to be the outcome of customer focus in the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	48	90.6	90.6	90.6
no	3	5.7	5.7	96.2
not aware	2	3.8	3.8	100.0
Total	53	100.0	100.0	

Source (researcher, 2014)

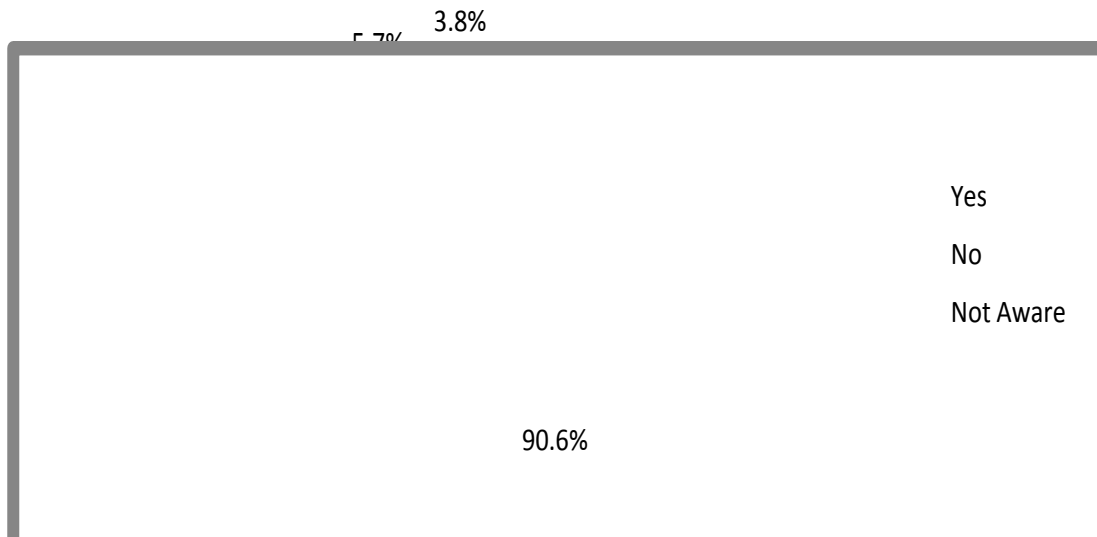


Figure 4.6: Whether increased use of the organization's resources to enhance customer's satisfaction is considered to be the outcome of customer focus in the organization

Source (researcher, 2014)

On the question about whether increased use of the organization's resources to enhance customer's satisfaction is considered to be the outcome of customer focus in the organization, The table 4.12 and figure 4.4 shows response of 90.6% **YES**, 5.7% **NO**, and 3.8% **NOT AWARE**.

Table 4.13: whether improved customer loyalty leading to repeat business is considered to be the outcome of customer focus in the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	45	84.9	84.9	84.9
No	7	13.2	13.2	98.1
Not aware	1	1.9	1.9	100.0
Total	53	100.0	100.0	

Source (researcher, 2014)

On the question whether improved customer loyalty leading to repeat business is considered to be the outcome of customer focus in the organization, the table 4.8 (c) ,shows 84.9% **YES** 13.2% **NO** and 1.9% **NOT AWARE**.

4.4.5 Whether customer focus practices are implemented in the organization.

Table 4.14: showing whether customer focus practices are implemented in the organization.

	N	Minimum	Maximum	Mean	Std. Deviation
whether customer focus typically leads to communicating customer needs and expectations throughout the organization in the organization	53	1.00	2.00	1.0943	0.29510
whether customer focus typically leads to measuring customer satisfaction and acting on results in the organization	53	1.00	3.00	1.2075	0.49453
whether customer focus typically leads to systematically managing customer relationship in the organization	53	1.00	2.00	1.0566	0.23330
whether customer focus typically leads to ensuring a balanced approach between satisfying customers and other interested parties (such as owners, employees, suppliers, financiers, local communities, and society as a whole) in the organization	53	1.00	3.00	1.1509	0.45557
whether customer focus typically leads to research and understanding customer needs and expectations in the organization	53	1.00	2.00	1.1132	.31988
whether customer focus typically leads to ensuring that the objective of the organization are linked to the customer needs and expectations in the organization	53	1.00	3.00	1.1132	0.42337
Valid N (listwise)	53				

Source (researcher, 2014)

The researcher went further to establish whether customer focus practices are implemented in the organization. This is because; those practices are indication of customer focus. The table 4.9 shows mean and standard deviations 1.0943 and 0.29510, 1.2075 and 0.49453, 1.0566 and 0.23330, 1.1509 and 0.45557, 1.1132 and 0.31988, 0.1132 and 0.42337

respectively. According to the scale, the results indicate; yes, yes, yes, yes, yes, yes, respectively. This means that customer focus leads to all the above.

4.4.6 Whether management leadership ensured conducive atmosphere which people can become fully involved in achieving the organization's objectives

The researcher also found it reasonable to establish whether management leadership ensured conducive atmosphere which people can become fully involved in achieving the organization's objectives. Pheny and Teo (2003) observed that top management must communicate TQM to the entire organization to create awareness interest, desire and action. The management should recognize employees for quality achievement, delegating authority to subordinates to make them more responsible.

Table 4.15: Whether management leadership ensures conducive atmosphere which people can become fully involved in achieving the organization's objectives

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	41	77.4	78.8	78.8
	No	10	18.9	19.2	98.1
	Not aware	1	1.9	1.9	100.0
Total		52	98.1	100.0	
Missing	System	1	1.9		
Total		53	100.0		

Source (researcher, 2014)

Table 4.15 shows 78.8% YES, 19.2% NO and 1.9% NOT AWARE. The meaning according to the likert scale is that the management leadership ensured conducive atmosphere which people can become fully involved in achieving the organization's objectives.

Table 4.16: whether management leadership ensures conducive atmosphere which people can become fully involved in achieving the organization's objectives

	N	Minimum	Maximum	Mean	Std. Deviation
whether management leadership ensures conducive atmosphere which people can become fully involved in achieving the organization's objectives	52	1.00	3.00	1.2308	0.46927
Valid N (listwise)	52				

Source (researcher, 2014)

According to the Likert scale, 1.2308 is approximately 1 which indicates **Yes**.

4.4.7 Benefits considered being the outcome of management leadership in the organization.

The researcher went further to establish benefits considered to be the outcome of management leadership in the organization. This is because according to Hackman and Wagenman (1995), quality is viewed as ultimately inescapably the responsibility of top management.

Table 4.17: showing Benefits considered to be the outcome of management leadership in the organization.

	N	Minimum	Maximum	Mean	Std. Deviation
whether the benefit of people understand and are motivated towards the organization's goals and objectives is the outcome management leadership in the organization	53	1.00	3.00	1.1698	.46969
whether the benefit of activities are evaluated, aligned, and implemented in a unified way is the outcome management leadership in the organization	53	1.00	2.00	1.1887	.39500
whether the benefit of minimized miscommunication between levels of organization is the outcome management leadership in the organization	53	1.00	3.00	1.2453	.55142
Valid N (listwise)	53				

Source (researcher, 2014)

Table 4.17 shows mean and standard deviations 1.1698 and 0.46969, 1.1887 and 0.39500, 1.2453 and 0.55142 respectively. The means are approximately 1, which according to the Likert scale indicate YES. This means that these benefits are as a result of management leadership.

4.4.8 Actions demonstrated by the organization management leadership.

The study sought to establish actions demonstrated by the organization management leadership. This because as Mohanty and Lakhe (2002) argued, top management should demonstrate commitment to TQM.

Table 4.18: showing actions demonstrated by the organization management leadership.

	N	Minimum	Maximum	Mean	Std. Deviation
whether management leadership leads to establishing trust and eliminate fear in the organization	53	1.00	3.00	1.1887	0.52097
whether management leadership leads to establishing a clear vision of the organization's future in the organization	53	1.00	3.00	1.1509	0.41120
whether management leadership leads to considering the needs of all interested parties including customers, owners, employees, suppliers, financiers, local communities, and society as a whole in the organization	53	1.00	3.00	1.2453	0.58526
whether management leadership leads to creating and sustaining shared values, fairness and ethical role models at all levels of the organization in the organization	53	1.00	3.00	1.2453	0.58526
whether management leadership leads to inspiring, encouraging and recognizing people's contributions in the organization	53	1.00	3.00	1.2075	0.53200
whether management leadership leads to providing people and recognizing people's contributions, training and freedom to act with responsibility and accountability in the organization	53	1.00	2.00	1.1321	0.34181
Valid N (listwise)	53				

Source (researcher, 2014)

Table 4.18 shows the mean and standard deviations 1.1887 and 0.52097, 1.1509 and 0.41120, 1.2453 and 0.58526, 1.2453 and 0.58526, 1.2075 and 0.58526, 1.1321 and 0.34181. According to the Likert Scale, the results indicate a **YES** answer in all the questions. This indicates that management leadership demonstrates all the above actions in the organization.

4.4.9 Whether employees at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization benefit.

The study sought to establish whether employees at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization benefit. This is because giving the employees the responsibility for improvements and the authority to make changes to accomplish them provides a strong motivation for employees. This puts decision making into the hands of those who are closest to the job and have considerable insights into problems and solutions. Atmosphere must be created where employees feel they are encouraged to participate.

Table 4.19: showing whether employees at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization benefit.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	46	86.8	88.5	88.5
	no	6	11.3	11.5	100.0
	Total	52	98.1	100.0	
Missing	System	1	1.9		
Total		53	100.0		

Source (researcher, 2014)

Table 4.20: showing whether employees at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization benefit.

	N	Minimum	Maximum	Mean	Std. Deviation
whether employees at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization benefit	52	1.00	2.00	1.1154	0.32260
Valid N (listwise)	52				

Source (research\

The table 4.19 shows 88.5% **YES** and 11.5% **NO**. According to the Likert scale 1.1154 as in table 4.20 is approximately 1 which indicates **YES**. This is an indication that employees at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization benefit.

4.4.10 Benefits considered to be the outcome of employee involvement in the organization.

The research further sought to establish the benefits considered to be the outcome of employee involvement in the organization. This is because as Mohanty and Lakhe (2002) argues the people who know the most about what is right or wrong with a system or a process are those who do it. A key element in employee involvement is that each worker assumes the responsibility of inspecting quality of his or her own work.

Table 4.21: Showing benefits considered to be the outcome of employee involvement in the organization.

	N	Minimum	Maximum	Mean	Std. Deviation
whether motivated, committed and involved employees within the organization is benefit considered to be the outcome of employee involvement in the organization	53	1.00	2.00	1.1509	0.36142
whether innovation and creativity in furthering the organization's objectives is benefit considered to be the outcome of employee involvement in the organization	53	1.00	2.00	1.1698	0.37906
whether employees being accountable for their own performance is benefit considered to be the outcome of employee involvement in the organization	53	1.00	2.00	1.0566	0.23330
whether employees eager to participate in and contribute to continual improvement is benefit considered to be the outcome of employee involvement in the organization	53	1.00	2.00	1.1509	0.36142
Valid N (listwise)	53				

Source (researcher, 2014)

Table 4.21 shows mean and standard deviations 1.1509 and 0.36142, 1.1698 and 0.37906, 1.0566 and 0.2330, 1.1509 and 0.36142. All the means are approximately 1 which, according to the Likert scale indicates YES, The meaning is that all are benefits considered to be the outcome of employee involvement in the organization\

4.4.11 Actions that show employee involvement in the organization

The research sought to establish possible actions that show employee involvement in the organization. This is because employees are organization's human resources; they should be involved in top management's resource management procedures. Chandler and Mc Evoy (2000) pointed out that because employees are prime source of human resources, their education, skills and experience needed for a job need to be assessed and matched with the job requirements.

Table 4.22: showing actions that show employee involvement in the organization.

	N	Minimum	Maximum	Mean	Std. Deviation
whether employees openly discussing problems and issues is as a result of employee involvement	52	1.00	2.00	1.0769	0.26907
whether employees freely sharing knowledge and experience is as a result of employee involvement	52	1.00	2.00	1.0962	0.29768
whether employees actively seeking opportunities to enhance their competence, knowledge and experience is as a result of employee involvement	52	1.00	2.00	1.1731	0.38200
whether employees evaluating their performance against their personal goals and objectives is as a result of employee involvement	52	1.00	11.00	1.3846	1.41635
whether employees accepting ownership of problems and their responsibility for solving them is as a result of employee involvement	52	1.00	2.00	1.1731	0.38200
whether employees understanding the importance of their contribution and role in the organization is as a result of employee involvement	51	1.00	2.00	1.0392	0.19604
Valid N (listwise)	51				

Source (researcher, 2014)

Table 4.22 shows mean and standard deviations 1.0769 and 0.26907, 1.0962 and 0.29768, 1.1731 and 0.38200, 1.3846 and 1.41635, 1.1731 and 0.38200, 1.0392 and 0.19604. The means are approximately 1 which according to the Likert scale indicates YES. This is an indication that employee involvement leads all the above actions in the organization.

CHAPTER FIVE

DATA ANALYSIS, RESULTS, AND FINDINGS

5.1 Introduction

This chapter presents a summary of the major findings of the study based on the research objectives, conclusions from the findings and recommendations derived from the conclusions. It also covers suggestions for further research on Micro finance institutions.

5.2 Summaries of the Findings

5.2.1 Demographic Information

Gender of the Respondent: Gender of the respondent was sought. The findings show 45.3% of the respondent are male and 54.7% female employees.

Age of the Respondents: the majority of the employees are aged between 30 and 39 years.

Area of Operation: The senior level management forms 11.3% of the organization, senior business development officers 17.0%, business development officers' forms 64.2%, and office assistants 7.5%.

Level of Education: 1.9% of the organization employees have attained secondary level as their highest level of education, 32.1% have reached college level, and 66.0% at university level.

5.2.2 Specific Information

The performance of the organization is rated as good with a total percentage of 81.1% and with a mean of 1.8824 which is approximately 2. This indicates that the organization is not in its excellent performance level.

Customer focus is highly considered to have influence in business performance of the organization. Leadership is considered to have influence on business performance in the

organization. Involvement of people is considered to have influence in business performance of the organization. The organization also considers other principles of TQM like mutual beneficial supplier relationship, factual approach to decision making, continual improvement, system approach to management, and process approach, to have influence on their business performance. The rating “considered” indicates not to the expectation.

The organization focuses on customer needs; it focuses on understanding current and future customer needs. Similarly, increased revenue and market share obtained through flexible and fast response to market opportunities is considered to be an outcome of customer focus in the organization. In addition increased use of the organization's resources to enhance customer's satisfaction, and improved customer loyalty leading to repeat business is considered to be an outcome of customer focus in the organization.

Customer focus typically leads to communicating customer needs and expectations throughout the organization; measuring customer satisfaction and acting on results; systematically managing customer relationship; ensuring a balanced approach between satisfying customers and other interested parties (such as owners, employees, suppliers, financiers, local communities, and society as a whole); research and understanding customer needs and expectations; and ensuring that the objective of the organization are linked to the customer needs and expectations in the organization.

Management leadership ensures conducive atmosphere which people can become fully involved in achieving the organization's objectives. The outcomes of management leadership this organization are: People understand and are motivated towards the organization's goals and objectives; activities are evaluated, aligned, and implemented in a unified way; and minimized

miscommunication between levels of organization is the outcome management leadership in the organization.

The organization management leadership establish trust and eliminate fear, establish a clear vision of the organization's future; consider the needs of all interested parties including customers, owners, employees, suppliers, financiers, local communities, and society as a whole; creating and sustaining shared values, fairness and ethical role models at all levels of the organization; inspiring, encouraging and recognizing people's contributions; providing people and recognizing people's contributions, training and freedom to act with responsibility and accountability.

Employees at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization benefit. Motivated, committed, and involved employees within the organization; innovation and creativity in furthering the organization's objectives; employees being accountable for their own performance; and employees eager to participate in and contribute to continual improvement, is considered to be the outcome of employee involvement in the organization.

Employee involvement in the organization leads to; employees openly discussing problems and issues; employees freely sharing knowledge and experience; employees actively seeking opportunities to enhance their competence, knowledge and experience; employees evaluating their performance against their personal goals and objectives; employees accepting ownership of problems and their responsibility for solving them; and employees understanding the importance of their contribution and role in the organization.

5.3 Conclusions and Recommendations

5.3.1 Conclusions

The research study has shown that the independent variables which are customer focus, top management involvement, and employee involvement are part of the K-rep Development Agency's TQM implementation process. Each independent variable not only influenced dependent variable but also complement each other as well.

Business Performance: The study concluded that excellent performance level is not being realized by the organization. This is because only customer focus is highly considered to have influence in business performance of the organization. Leadership and employees involvement though considered to have influence in business performance of the organization have not been given the required level of attention.

Customer Focus: The study concluded that organization focuses on current and future customer needs. Similarly, increased revenue and market share obtained through flexible and fast response to market opportunities; increased use of the organization's resources to enhance customer's satisfaction; and improved customer loyalty leading to repeat business are the outcomes of customer focus in the organization. Customer focus typically leads to communicating customer needs and expectations throughout the organization; measuring customer satisfaction and acting on results; systematically managing customer relationship; ensuring a balanced approach between satisfying customers and other interested parties (such as owners, employees, suppliers, financiers, local communities, and society as a whole); research and understanding customer needs and expectations; and ensuring that the objective of the organization are linked to the customer needs and expectations in the organization.

Management Leadership: this study concluded that Leadership though considered to have influence in business performance of the organization has not been given the required level of attention. This affects the business performance in this organization. It is only through excellent management leadership that the organization can achieve strategic direction, motivation, sense of commitment and passion, becoming a change agent.

Employee Involvement: the study concludes that employee involvement though considered to have influence in business performance of the organization has not been given the required level of attention. This affects the business performance in this organization, since the organization has attained the expected environment where employees can absolutely, freely, openly discuss problems and issues; share knowledge and experience; actively seek opportunities to enhance their competence, knowledge and experience; evaluate their performance against their personal goals and objectives; accept ownership of problems and their responsibility for solving them; and understand the importance of their contribution and role in the organization.

5.3.2 Recommendations

Based on research findings and conclusions, the researcher felt that the following recommendations were necessary for the organization.

- The organization leadership should improve on their level of motivation of their employees towards the organization's goals and objectives.
- Leadership should actively collect information that suggest new approaches, create a network of listening systems, among other strategies to understand the organizational environment and any signs of change.
- Leaders should develop "Kaleidoscope" thinking-a way of constructing patterns from the fragment of data available and then manipulating them to form different patterns. The

aim is to find many solutions to a problem from different perspectives. This can be achieved through job rotation, creation of work teams, investing in new opportunities and sending employees to work outside the organization-on field trips.

- The organization should improve their efforts on employee involvement strategies to achieve organizational business performance.
- Management and employees should strive to work together in order to create a strong value environment where people will have the primal role.
- The organization should grow a stronger culture that nurtures high-trust social relationship is and respect for individuals, a shared sense of membership of the organization, and a belief that continuous improvement is for the common good.

5.4 Recommendation for Further Study

Further research should be carried out on the following areas:

It is recommended that further research be carried out on how micro finance institutions carry out their strategic planning processes because this is an area that if managed well may help them in benchmarking of their competitors.

How other related principles in TQM implementation (mutual benefit supplier relationship, factual approach to decision making, continual improvement, system approach to management, and process approach.) implementation affects business performance of micro finance institutions in Kenya.

Similarly, the study should be done nationwide to compare widely with other microfinance institutions to be able to establish what strategies are being used in TQM implementation to achieve excellent performance.

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APPENDICES

A1: LETTER OF INTRODUCTION

Introductory letter to the interview guide

This interview guide has been designed to collect data on behalf of the study investigating “Effects of Total Quality Management implementation in performance of Microfinance Institutions in Kenya”

The researcher is a Master’s Degree student in Business Administration in Kenyatta University.

The sought for in this interview is needed for research purposes only and will be treated with confidentiality.

Thank you

A2: ACADEMIC RESEARCH QUESTIONNAIRE

Confidentiality Statement

This questionnaire will be used purely for academic purposes. All information will be treated as confidential and constrained to this study only.

A. Respondent personal information

1. Name (Optional).....Sex male [] Female []

2. Age bracket

Age bracket	Below 30 years	30-39 years	40-49 years	50 years and above
Response				

3. What is your area operation?

Area of Operation	Senior level management	Senior Business Development Officers	Business Development Officers	Office Assistants
Response				

4. Highest level of education attained (Tick where applicable) a) Primary [] b) Secondary []

c) College [] d) University []

Others please specify.....

B. Specific Information

Business Performance

5. How do you rate the performance in your organization? (Tick appropriately)

Excellent [] Good [] Poor []

6. To what extent are the following considered to have influence on business performance in your organization?

	Highly considered	Considered	Not considered at all
Customer Focus			
Leadership			
Involvement of People			
Process Approach			
System Approach to Management			
Continual Improvement			
Factual Approach to Decision Making			
Mutual Beneficial Supplier Relationships			

Customer Focus

7. Does your organization focus on understanding current and future customer needs?
 Yes [] No [] Not aware []

8. Are the following benefits considered to be the outcome of customer focus in your organization?

	Yes	No	Not Aware
Increased revenue and market share obtained through flexible and fast response to market opportunities			
Increased use of the organization's resource to enhance customer's satisfaction			
Improved customer loyalty leading to repeat business			
Any other, mention			

9. Does customer focus typically leads to the following in your organization?

	Yes	No	Not Aware
Research and understanding customer needs and expectations			
Ensuring that the objectives of the organization are linked to customer needs and expectations			
Communicating customer needs and expectations throughout the organization			
Measuring customer satisfaction and acting on results			
Systematically managing customer relationship			
Ensuring a balanced approach between satisfying customers and other interested parties (such as owner, employees, suppliers, financiers, local communities, and society as a whole)			

Management Leadership

10. Does the management leadership ensure conducive atmosphere which people can become fully involved in achieving the organization's objectives

Yes [] No [] Not aware []

11. Are the following benefits considered to be the outcome of management leadership in your organization?

	Yes	No	Not Aware
People understand and are motivated towards the organization's goals and objectives			
Activities are evaluated, aligned, and implemented in a unified way			
Minimized miscommunication between levels of organization			

12. Does management leadership typically leads to the following in your organization?

	Yes	No	Not Aware
Establishing trust and eliminate fear			
Establishing a clear vision of the organizations' future			
Considering the needs of all interested parties including customers, owners, employees, suppliers, financiers, local communities, and society as a whole			
Creating and sustaining shared values, fairness and ethical role models at all levels of the organization			
Inspiring, encouraging and recognizing people's contributions			
Providing people and recognizing people's contributions, training and freedom to act with responsibility and accountability			

Involvement of employee

13. Are employees at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization's benefit?

Yes [] No [] Not Aware []

14. Are the following benefits considered to be the outcome of employees' involvement in your organization?

	Yes	No	Not Aware
Motivated, committed and involved employees within the organization			
Innovation and creativity in furthering the organization's objectives			
Employees being accountable for their own performance			
Employees eager to participate in and contribute to continual improvement			

15. Does employee involvement typically leads to the following in your organization?

	Yes	No	Not Aware
Employees openly discuss problems and issues			
Employees freely sharing knowledge and experience			
Employees actively seeking opportunities to enhance their competence, knowledge and experience			
Employees evaluating their performance against their personal goals and objectives			
Employees accepting ownership of problems and their responsibility for solving them			
Employees understanding the importance of their contribution and role in the organization			
Any other, mention please			

A3: STUDY TIMELINE

SESSION	ACTIVITIES	DURATION
1	Preparing and writing project proposal	May 2013-June, 2013
2	Defense proposal	July, 2013
3	Correction and Piloting	August, 2013
4	Data collection, analysis and report writing.	Sept- November, 2013
5	Revision and Submission of Final Project Report	March, 2014

A4: THE BUDGET FOR THE STUDY

ITEMS	QUANTITY	AMOUNT
Printing papers	4 Reams	4,500
Pens	1 dozen	250
Rubber	1	25
Pencil	2	40
Rulers	1	15
Box file	1	500
File folder	5	1,000
Flash disk	1	3,000
Computer services		2,000
Photo copying		500
Note books	1	200
Meals		10,000
Transport		10,000
Accommodation		14,000
Project report binding		4,000
Laptop & printer	1 each	32,000
Miscellaneous 10%		8,203
TOTAL		90,233