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The influence of quality management practices on financial performance of Commercial Banks in Kenya

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The Influence of Quality Management Practices on Financial Performance of Commercial Banks in Kenya

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

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ABSTRACT

Liberalization and globalization of the banking sector has created an era of fierce competition, as a result of which service management and quality performance is expected to assume an increasing important role in financial sector. Banks can become stronger and effective only if they come out with better customer service, quality, costs, and innovation. The main objective of this study is to evaluate the influence of QM practices on the financial performance of Commercial banks in Kenya. This study used a descriptive research design in order to examine the relationship between various QM practices and bank performance. The study population were all the registered commercial banks in Kenya and data was collected through the use of questionnaires for primary data and annual reports, websites and the CMA for the secondary data. Data were analysed using descriptive analysis and regression analysis through the use of SPSS. The study concludes that the adoption of quality management practices; management commitment, employee involvement, customer focus and process management is critical in improving the quality of services delivered to customers and improving the performance of commercial banks. The study recommends that commercial banks need to include all the quality management practices in order to ensure improved bank performance.

Table of Contents

LIST OF TABLES

LIST OF FIGURES

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This research thesis would not have been written without the ideas and encouragement from my research supervisor Dr. Vincent Omwenga, who worked tirelessly and patiently to ensure that I understood the concept of the research thesis. Above all I thank God for giving me the strength and taking me through the research project.

DEDICATION

I dedicate this work to my Parents (Isaac and Esther Thuo) and to my siblings (Monica, Grace and Fiona Wokabi).

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In response to increased global pressure, customers demanding superior quality products and services; the global marketplace has become very competitive. This has resulted in many organizations adopting quality management tools such as, total quality management (TQM), Balanced Score Card, Malcolm Balbridge Award, ISO 9001:2008 series, Business Process Re-engineering, SERVQUAL and EFQM excellence model as a way of improving the service delivered to their customers (Mutula 2002).Further, quality management practices such as customer focus, knowledge management, training and development, top management commitment, process management, and employee involvement are increasingly becoming common, particularly in the service sector in an effort to meet customers' expectations.

Many scholars note that managers can implement quality management practices in any organization and sectors of the economy such as manufacturing, service, education, and government (Zu, 2009). The implementation of these practices generates improved products and services, more satisfied customers and employees, reduced costs, improved financial performance, enhanced competitiveness, and increased productivity (Kaynak, 2003). Financial institutions can adopt these quality management practices in order to improve on their overall financial performance.

In order to effectively measure financial performance attributed to the quality management practices, institutions must define their quality parameters. Moreover, quality is institutional specific and has been considered to be an effective strategic technique used to measure the productivity of an organization (Hasan and Kerr, 2003). Quality is a multi-dimensional construct and in the service sector, it is perceived as the attributes of service delivery system, which pertains to the level of the satisfaction of the customer as well as the connections among the different entities of the service system which describe the service encounter (Yasin, 2002). So, for a commercial bank to survive in Kenya it must strive to maintain quality of service delivered.

Therefore, quality can be described as the ability to meet customer requirements and it is vital not only because of competition between two separate organizations but also competition within the same organization. The behaviour of a cashier in a bank for example, can spell doom for the bank if it is negative to the customers. Similarly, word processor operator in a computer firm is a supplier to the employer. The number of errors per page will determine the quality of job done by the word processor. If the output is error free, we can then say that the output is of a high quality. Throughout and beyond all organizations, whether manufacturing concerns, banks, retail stores, universities or hotels, there are series of quality chains, which may be broken at any point by one person or one piece of equipment not meeting the requirement of the customer which could be internal or external.

The interesting thing is that this failure whether internal or external in the service delivery chain, usually finds its ways to the interface between the organisation and its outside customers, and the people who operate at the interface like the cashier in the banks (Selvaraj, 2009).

Organizations focus on achieving and sustaining a high quality outputs using quality management practices as the inputs and improved financial performance as the outputs. The pioneers of the quality management movement highlighted the importance of the quality philosophy as an essential competitive weapon for the transformation of an organization. Researchers define Quality management (QM) as both a set of guiding practices and management style that have been adopted by managers in organizations to improve competitiveness and financial performance (Kaynak & Hartley, 2005).The service quality of service organisations, especially perceived service, plays an important role in high-involvement industries like banks. Providing quality service to customers is not only the most important and effective factor for customer satisfaction but also the essential criterion that measures the competitiveness of a service organization like banks. For survival it is mandatory to provide best service quality and it is also viewed as pre-requisite to success of banking sector (Talib, 2012).

Liberalization and globalization of the banking sector has created an era of fierce competition, as a result of which, service management and quality performance is expected to assume an increasing important role in this industry. Banks can become stronger and effective only if they come out with better customer service, perceived quality, low costs, and innovation (Selvaraj, 2009). Banks can become more effective and stronger if quality management practices are adopted.

Today, customers have a wide choice of service providers and they would opt for only the best service providers in terms of quality, reliability, and profitability and who are at par with international standards. In order to ensure survival financial institutions must remain profitable despite stiff global completion. Therefore, the quality of service plays a dominant role and is a primary factor in ensuring the survival of the service provider in the global market. The whole focus is now concentrated on providing services to customer beyond his expectations (Talib, Rahman, Qureshi, 2012).

Customers have become knowledgeable and this has gradually led to a greater degree of consumer sovereignty when making a choice. Customers" choice of a bank over another is based on several factors such as the location, interest rates, quality of service delivery and the bank's reputation. However, service quality is seen as one of the key factor and thus has received considerable attention by organizations. opines that the financial services, particularly banks, compete in the market place with generally undifferentiated products, therefore service quality becomes a primary competitive weapon. Commercial banks seeking to compete effectively and improve their financial performance are therefore adopting quality management practices as a way of differentiating themselves from other banks in the industry (Hull, 2002).

Quality management involves everyone in the process and must be applied throughout an organization in order to be effective. Failure to meet the requirements in any part of a quality chain has a way of multiplying, and failure in one part of the system creates problems elsewhere, leading to a cycle of yet more failure and more problems. The price of quality is the continued examination of the requirements and our ability to meet them. This will lead to a continuous improvement philosophy (Hafeez, Malak & Abdelmeguid, 2006). Therefore all commercial banks in Kenya have to remain relevant by examining customer needs and meeting them continuously improving.

1.1.1 Quality Management Practices

The quality practices of an organization (which take place within a quality culture or context) are defined as the actions and procedures undertaken by a company or organization to ensure the delivery of a high-quality service or product. Sousa and Voss (2002) mention that "practices are the observable facet of QM, and it is through them that managers work to realize organizational improvements". A review of literature for example, Jaafreh and Al-abedallat (2013) reveals that the most common quality management practices employed by organisations include; top management commitment, Employee involvement, process management and customer focus. These will be adopted for this study.

Employee Involvement (E.I); quality management and its practices involve the whole organisation, getting organized in every department, in every activity with every single person at every level. This involves putting in place processes and system which will ensure that every aspect of its activity is aligned to satisfying customer needs and the organizations' objectives without waste of effort by releasing the full potential of every person in the organisation. For an organisation to be truly effective, every' single part of it must work properly together because every person and every activity affect and in turn is affected by others (Pattanayak & Maddulety, 2013). This is defined as employee involvement under quality management practices.

Top Management Commitment (T.M.C); to improve financial performance, every single part, every person involved must work properly. The motivation for quality improvement comes from conscious awareness shared by all members of an organization that every process can be done more effectively, giving increased value and satisfaction to customers, and more efficiently with less waste and resource consumption. This increase in effectiveness and efficiency benefits customers, the organization and its members and the society in general (Wayhan, McCallum & Golyer 2013). For almost every service, particularly the banking sector there is more than one bank trying to woo customers for patronage. The rate of interest (price) may be a critical factor for patronage, but another factor is the quality of the service. This is defined as top management commitment under quality management practices.

In fact, quality is often the major issue, and poor quality service can lead to erosion of goodwill, which could be very costly for any bank. One of the reasons for the distress in the banking sector in the early 90s was increased appreciation of poor quality to the producer, customer and the society, which has resulted in emphasis on quality (Valmohammadi, 2011). If we do not want the same to happen in present times quality management practices should be adopted by financial institutions in Kenya.

Process Management (P.M); there is an emerging need for quality management implementation in the financial service industry, now is the time for us to move about "paradigm shift." Banks and financial service firms in Kenya must pay attention to this shift and start developing strategies for providing high quality products and services to customers. Commercial Banks in Kenya need to determine where improvement is needed, how services can be improved and where business process interruptions occur, why they occur and how they can be avoided (Luchinga, 2014). This is defined as process management under quality management practices.

Customer Focus (C.F); banks benefit tremendously from quality management practices for the mere fact that their success and financial performance depends on customer satisfaction and loyalty. High quality service in banks starts with understanding customers' needs and using these needs to drive the good service or new product development process. Instead of solely depending on marketing research organizations to define these needs, members of the bank including management and personnel need to meet customers and gain a first-hand understanding of their needs (Chepketch, 2014). This is defined as customer focus under quality management practices.

1.1.2 Financial Performance in the Banking Industry

Through their intermediation function banks play a vital role in the efficient allocation of resources of countries by mobilizing resources for productive activities. They transfer funds from those who don't have productive use of it to those with productive venture. In addition to resource allocation good bank performance rewards the shareholders with sufficient return for their investment. This study seeks to bridge the knowledge gap that exist between good financial performance and quality management practices.

When there is return there shall be an investment which, in turn, brings about economic growth. On the other hand, poor banking performance has a negative repercussion on the economic growth and development. Poor performance can lead to runs, failures and crises. Banking crisis could entail financial crisis which in turn brings the economic meltdown as happened in USA in 2007 (Marshall, 2009.) That is why governments regulate the banking sector through their central banks to foster a sound and healthy banking system which avoid banking crisis and protect the depositors and the economy (Shekhar and Shekhar, 2007.) Therefore, here in Kenya managers should ensure that the organizations financial performance excels beyond stakeholders expectation for survival in the industry.

Generally, the financial performance of banks and other financial institutions is usually measured using a combination of financial ratios analysis, benchmarking, measuring performance against budget or through a mix of these methodologies (Avkiran, 1995). It is important to note that most of the current bank performance literature describes the objective of financial organizations as that of earning acceptable returns and minimizing the risks taken to earn this return (Hempel, 1996). Chien and Danw (2004) showed in their study that most previous studies concerning company performance evaluation focus merely on operational efficiency and operational effectiveness, which might directly influence the survival of a company. By using an innovative two-stage data envelopment analysis model in their study, the empirical result of this study is that a company with better efficiency does not always means that it has better effectiveness. Good financial performance is dependent on more than efficient systems hence a holistic approach to quality management yields better results.

Elizabeth and Ellot (2004) indicated that all financial performance measures such as interest margin, return on assets, and capital adequacy are positively correlated with customer service quality. To measure the profitability of commercial banks there are variety of ratios used of which Return on Asset, Return on Equity and Net Interest Margin are the major ones (Alexandru et al., 2008). This study will focus on return on asset and return on Equity of commercial banks in Kenya as it relates to quality management practices.

1.2 Problem Statement

In Kenya, commercial banks are operating in a highly competitive environment with all forty four players introducing new service delivery strategies continuously. Quality management practices are a critical aspect in today's banking industry if management seeks to retain customers, increase profitability and operate in a sustainable manner. Competition from mobile money services from mobile network service providers has also resulted in the need to improve service delivery by commercial banks through the adoption of QM practices.

Customers are today bombarded with numerous choices on which commercial bank to use as well as with the option of using mobile money. With these choices facing customers, a lot of pressure has been put on management to provide quality services to attract and retain a profitable customer base. In order to improve service delivered to customers, Commercial banks in Kenya have introduced innovative measures like extended business hours, ATM network, internet banking, improved banking hall facilities among others, all in the interest of enhancing customers' satisfaction with quality in service (Mwaniki & Okibo, 2014).

Customers seek quality in services when it comes to banking services because there are a number of suppliers for banking services. Commercial banks therefore need to manage the quality of their services as it directly impacts on their performance as well as their survival in the competitive industry.

The relationship between successful QM practices and financial performance (Wayhan, 2013) noted that quality management focuses on delivering services that meet customer expectation. Meeting and exceeding customers expectations is considered to be one way of creating customer loyalty, which in turn leads to improved sales and financial performance in general. The main incitement for the implementation of quality management practices is to improve various aspects of the bank, whether it is the improvement of the management system or the improvement of the customer satisfaction levels. Most organizations implement QM practices in order to respond to the need to increase their financial performance in relation to the service they deliver to the consumers. The implementation of quality management practices is one of the means of improving financial performance available to firms in the service sector (Talib, Rahman & Qureshi 2012)

Further, in Kenya the competition from online and mobile banking platforms has resulted in the need for commercial banks to come up with new ways of attracting customers to the banking halls. The implementation of quality management practices is one of the strategies commercial banks are using in order to remain relevant and in existence in the highly competitive industry. Due to the importance of service quality in the banking sector in terms of customer satisfaction and improved financial performance, it is important to carry out a study on quality management practices in general. This study seeks to adopt a holistic approach to analyze the influence of QM practices in general on the financial performance of Commercial banks in Kenya.

1.3 Research Objective

The general objective of this study is to analyse the influence of QM practices on the financial performance of Commercial banks in Kenya.

1.3.1 Specific Objectives

The study will be guided by the following specific objectives

i. To determine the factors that influence adoption of quality management practices in commercial banks in Kenya.
ii. To analyze the influence of quality management practices on financial performance of commercial banks in Kenya.
iii. To explore the relationship between the quality of service and financial performance of commercial banks in Kenya.

1.4 Research Questions

i. What are the factors that influence adoption of quality management practices implementation?
ii. What is the effect of quality management practices on the financial performance of commercial banks in Kenya?
iii. What is the effect of quality of service on financial performance of commercial banks in Kenya?

1.5 Significance of the Study

The study defined quality significant to Commercial banks in Kenya, this would enable the banks' management team develop strategies to improve the quality of service delivery and consequently influence financial performance.

The study served as a guide for banks' management to develop practices which improve its overall service delivery, especially in areas where gaps between expectations and perceptions are so wide to enhance customer satisfaction.

This research sought to improve the banking services offered to customers by showing how it relates to financial performance and survival of commercial banks in Kenya.

Academicians and researchers in the field of strategic management, finance and banking can benefit from this study as it helped build the knowledge base in the discipline by adding on the existing literature on QM practices and financial performance. The study can be used as a source of reference material besides suggesting areas where future research may be conducted.

1.6 Scope of the Study

The study was specifically focusing on four quality management practices which are; customer focus, top management commitment, process management and employee involvement. The study therefore explored the relationships between these four quality management practices and financial performance of commercial banks in Kenya. The study covered a period of 5 years between 2010 and 2014.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review. First, a theoretical review is provided focusing on theories that relate to the implementation of quality management practices and their effect on the performance of commercial banks. Secondly, the empirical review of the studies that have been done on the effects of quality management practices on the performance of commercial banks. The research gap is then provided.

2.2 Theoretical Framework

This section presents the theories related to the implementation of quality management practices in organisations. The study will be guided by the following theories; Structural Contingency Theory, The Theory of Constraints, and Juran's Theory of quality management.

2.2.1 Structural Contingency Theory

The structural contingency theory was first proposed by Donaldson (2006). The basic proposition of the theory is that for organisations to maintain, and improve their performance, it is mandatory that they align their structure to the contingency factors. According to the theory, there is no single organisation structure that can be considered best for all organisations. This means that organisations must continuously modify their structures in order to align them with the external environment and the contingency factors. The theory provides some of the contingency factors as: strategy, size, task, uncertainty, parent organization, public accountability, critical assets and technology.

In order to show the importance of the contingency theory in improving organizational performance, Donaldson (2006) uses the 5-stage structural adaptation to regain fit (SARFIT) model. First, it is noted that organization is considered to be in fit if it has acclimatized to its environment. In the second stage there is in contingency change where the organizational environment changes. Consequently in the third stage, the organization is in misfit and performance suffers. The fourth stage is where the organization does structural adaptation to correct the state of misfit and to reinstate its level of performance. In the final stage, the organization achieves a new fit and performance recovers. Strategic choice also plays a role in Kenyan commercial banks in that they bow to the imperative of adopting a new structure that fits its new level of the contingency factor in order to avoid loss of performance from misfit. This theory can therefore be applied in this case to show the importance of adopting quality management practices in order to ensure the commercial banks can improve their financial performance (Chepkech, 2014). The commercial banks have to react to the external environment by adopting new quality management practices since this will result in an alignment of the organisational objectives to the market needs.

2.2.2 The Theory of Constraints

Theory of Constraints provides the methodology to define what to change, what should be changed to, and how to effect the change to continuously improve the performance of an entire system. Theory of Constraints, like Quality Management practices, treats improvement as an on-going process. But instead of focusing on localized improvements in all areas, it attacks the one constraint or bottleneck that limits the system's performance.

Theory of Constraints can be used as a vital mechanism to assist the implementation of Total Quality Management. It must not replace Total Quality Management, but rather be used in helping the company to find out problems in its implementation and focus the Total Quality Management efforts toward the organization's goal. Theory of Constraints is an excellent approach in continuous improvement, and this therefore means that it can be applied in this study to evaluate the influence of quality management on firm performance. Luchinga (2014) employed the theory in a similar study and noted that quality management practices can help to eliminate other constraints in firm resources to improve bank performance. An understanding of the constraints that characterise quality improvement in commercial banks is critical in this study in order to establish their influence on bank performance.

2.2.3 Juran's Theory of Quality Management

Juran proposes a strategic and structural approach to quality management where focus should be on delivering quality on each project. The theory summarizes quality management into three main steps and these have come to be known as the Quality Trilogy: the first is quality planning which involves creating an awareness of the need to improve and setting goals and plans on how to achieve the set goals. This means that the management has to be willing to commit to change. It also requires a highly trained and qualified staff. The second is quality control which involves coming up with methods to test products and services for quality. Any deviation from the set standards means that the product will have to undergo changes and improvements. The third and final is quality improvement which is a continuous pursuit toward perfection. Management analyses processes and systems and reports back with praises and recognition when things are done right. This can be done by rewarding the staff after a successful and profitable venture (Mahadevan, 2009).

Applying this theory to the understanding of why quality management is critical for firm performance, it is clear that Juran proposes that banks should focus on ensuring that each program and project undertaken by the bank is delivered to the highest quality possible (Luchinga, 2014). The management of commercial banks in Kenya should be on the fore front in implementing customer quality programmes that are constantly reviewed to ensure that they meet the continually growing and dynamic needs of customers as well as programmes that will encourage the bank staff to continue working at optimal productivity.

2.3 Empirical Review

Adeoti (2003) evaluated the influence of the adoption of total quality management on the performance of commercial banks in Nigeria and also to see how the application of TQM can prevent future threats of distress in commercial banks.Regression analysis was done to establish the relationship between Top Management Involvement, Process, Customer Relationship and Supplier Relationship as the independent variables and financial performance as the dependent variable. The major results of the article shows that the quality and quantity of employees employed determine to a very large extent the survival of any bank, also that the application of TQM is not immunity against distress but a preventive mechanism for distress.Pignanelli and Csillag (2003) investigated the impact of quality on profitability, following the evolution during a ten years period of 31 firms recognized by Brazilian National Quality Award (PNQ). They also used a regression analysis to determine the relationship between the dependant factor and the independent factor.

The results revealed that high profitability already existed during quality management implementation, and remained high along all the studied period. This fact supports the position of York and Miree (2004) that the relationship between quality and financial performance is a co-variation link, and not a causation link. According to this idea, companies that already have superior performance are inclined to adopt quality management models, given to the need to legitimize or to obtain recognition, a favourable organizational environment, or having resources to apply in the necessary investments to finance the quality program.

Al-Shobaki, Fouadand Al-Bashir (2010) investigated the relation between the application of TQM and the increase in the organization performance and efficiency. The results show that the application of TQM in the Jordanian banking sector lead to increased productivity and ability to compete in the global markets.These results were supported by the results of Jaafreh and Al-abedallat (2013)who evaluated the effect of quality management practices on organizational performance in Jordan. The authors a developed QM practices framework according to a comprehensive literature review and represents a relationship between QMPs and Organizational performance through examining the effects of the six QMPs constructs on Organizational performance. The study revealed that there is a positive relationship between the implementation of QM practices and organisation performance. Luchinga (2014), examines the relationship between total quality management usage has on competitive advantage in the banking industry in Kenya. The new electronic age has transformed the marketing of banking services. The modern customer demands new and differentiated financial products and services. This way, banks must continuously search for new strategies to develop and market their products and services.The finding shows that TQM adoption in banks has led to competitive advantage and improvement of operational efficiency and reduced information costs.

Talib, Rahman and Qureshi (2012), presented a detailed overview of the role of service quality and Total Quality Management (TQM), and its critical dimensions in the banking sector. A detailed review of the literature on TQM and service quality concepts was carried out in context of the banking sector. The study further explored the experience of TQM implementation in banks adopting this approach. The findings indicate that to ensure successful implementation of TQM in the banks, there are certain critical dimensions which needs to be addressed, viz: management commitment and support towards TQM, motivating and training of employees, and monitoring of customers' requirement through feedback. Beside this, it was also found that service quality is an important construct in banking sector and identifies four broad conceptual categories related to service quality.

Chepkech (2014) examined the effect of Total Quality Management practices on organizational performance in Kenya. The specific objectives of this study were to determine the effect of top management commitment on organizational performance, to investigate the effect of customer focus on organizational performance and to examine the effect of employee involvement on organizational performance. The study targeted tertiary institutions in the country. The study findings of correlation analysis showed that top management commitment, employee involvement, and customer focus were positively and significantly affect organizational performance. The findings of the multiple regressions analysis showed that the observed changes in organizational performance attributed to the elements of total quality management practice is 56.9% (r2=.569). This finding of this research supports the hypothesis that total quality management practices significantly affect organizational performance.

Mwaniki and Okibo (2014) also evaluated the effects of total quality management on financial performance in the banking sector with a focus on the National Bank of Kenya. The findings indicated a positive relationship between top management involvement, process and supplier relationship and financial performance. However, customer relationship negatively affected financial performance. The regression analysis showed a weak relationship among the variables with by the f-test and a weak coefficient of determination. The research recommends that steps to improve top management involvement, process and supplier relationship to improve financial performance.

2.4 Quality Management practices and Bank Performance

The relationship between various quality management practices and bank performance has been evaluated by various researchers. Top management is seen as the corner stone of a successful quality management program as they hold the seat of most influence upon those working for the company. They do not as such produce anything, but they get results through their employees. The management style adopted by these managers may come into play when trying to get the best from staff, whether it is through an authoritarian approach or a participation styled approach (Meere, 2005). Magutu et al., (2010) argue that ISO 9001:2008 certification carry advantages like market competitiveness, consistency in quality, improved productivity, employee involvement, staff morale and job satisfaction. The practical benefits of working towards and achieving the standard include improved earning, productivity and profitability. On the contrary, Arawati (2005) reveals a practical situation when the ISO system does not add value to manage the business processes, by mentioning that ISO 9001: 2008 quality standards is not regarded as a major driver of process performance as the company has a policy on achieving these standards based on commercial needs criteria.

Quality management practices can only be introduced and led by top management. Attempts to implement quality management practices often fail because top management doesn't lead and get committed - instead it delegates and pays lip service. Commitment and personal involvement is required from top management in creating and deploying clear quality values and goals consistent with the objectives of the company, and in creating and deploying well defined systems, methods and performance measures for achieving those goals. These systems and methods guide all quality activities and encourage participation by all employees leading to improved bank performance (Zhang, 2007).

Quality management also requires that employees are involved in its implementation every step of the way. It is important for management to keep employees in the picture at all times when decisions are being made regarding QM practices and their implementation, which should encourage participation and help ease transition. When the identification of the tools for a system to be used is complete it should be ensured that the right training is given to the right people. This is to emphasize the benefits of why their using them and how they are using them. Training given to the right people has been proven to minimize the misuse of the tools and techniques (Otunga, 2007).

Training and development of all employees on the quality management practices supports the drive for quality. Employees are encouraged to take more responsibility, communicate more effectively, act creatively, and innovate. Employee involvement is a matter of courtesy asking people’s opinion before making decisions that affect them. Employee involvement is a very simple process. If a decision is made affecting the employees, it is always better to consult them as they may have some valuable ideas to offer and this was help in building up the relations and creating a conducive environment for better results. Mutisya (2010) noted that employees who indicated that their organizations were one of the best performers reported double the level of engagement compared to employees who reported average organizational performance.

Quality management also requires that the bank adopts a customer focused strategy in the delivery of service as this ensures that service is designed in such a manner as to ensure customer satisfaction. Customer satisfaction is the degree to which a bank's customers continually perceive that their needs are being met by the bank's products and services (Nganga, 2010).Soltani (2005) espouses that an organization must identify customer relationship to measure customer needs and expectations; involve customers in quality improvement and determine customer satisfaction. The availability of customer complaint information to managers and the degree of the use of customer feedback to improve productquality reveal the level of customer focus in an organization. As customer expectations are dynamic, an organization needs to survey customer expectations regularly and modify its operations accordingly.

Given the increasing focus on the creation of competitive advantages it is argued, that quality ought to be defined from an external perspective of customer expectations, rather than from predetermined internal specifications (Murata, 2006). Throughout the empirical literature, there is a general agreement that quality does not solely rely on the organization's ability to produce products with correct technical specifications. In order to stay competitive, the organization must be able to respond and adapt to changing customer preferences and needs (Brahet, (2001). It is thus important that every employee in the organization is involved and committed towards establishing and sustaining a high level of customer satisfaction

The effectiveness of process management implementation has been cited as one of the major dimensions of integrated quality efforts. Process refers to combinations of machines, methods, materials, tools, and people employed in production (Brahet, (2001).QM practices work on the belief that the overall quality of products can be enhanced by improving the quality of the processes directly or indirectly related to their creation. The objective of process management is to reduce process variation by building quality into the production process. That led to increase the quality of outputs as well as decreasing the costs such as rework costs and waste costs. The maintenance of process capability to meet production requirements is the important matter in process control and improvement. Deming confirmed that improving product quality should not be dependent on mass inspection. Quality comes not from inspection, but from improvement of the production process (Jaafreh&Al-abedallat, 2013).

2.5 Conceptual Framework

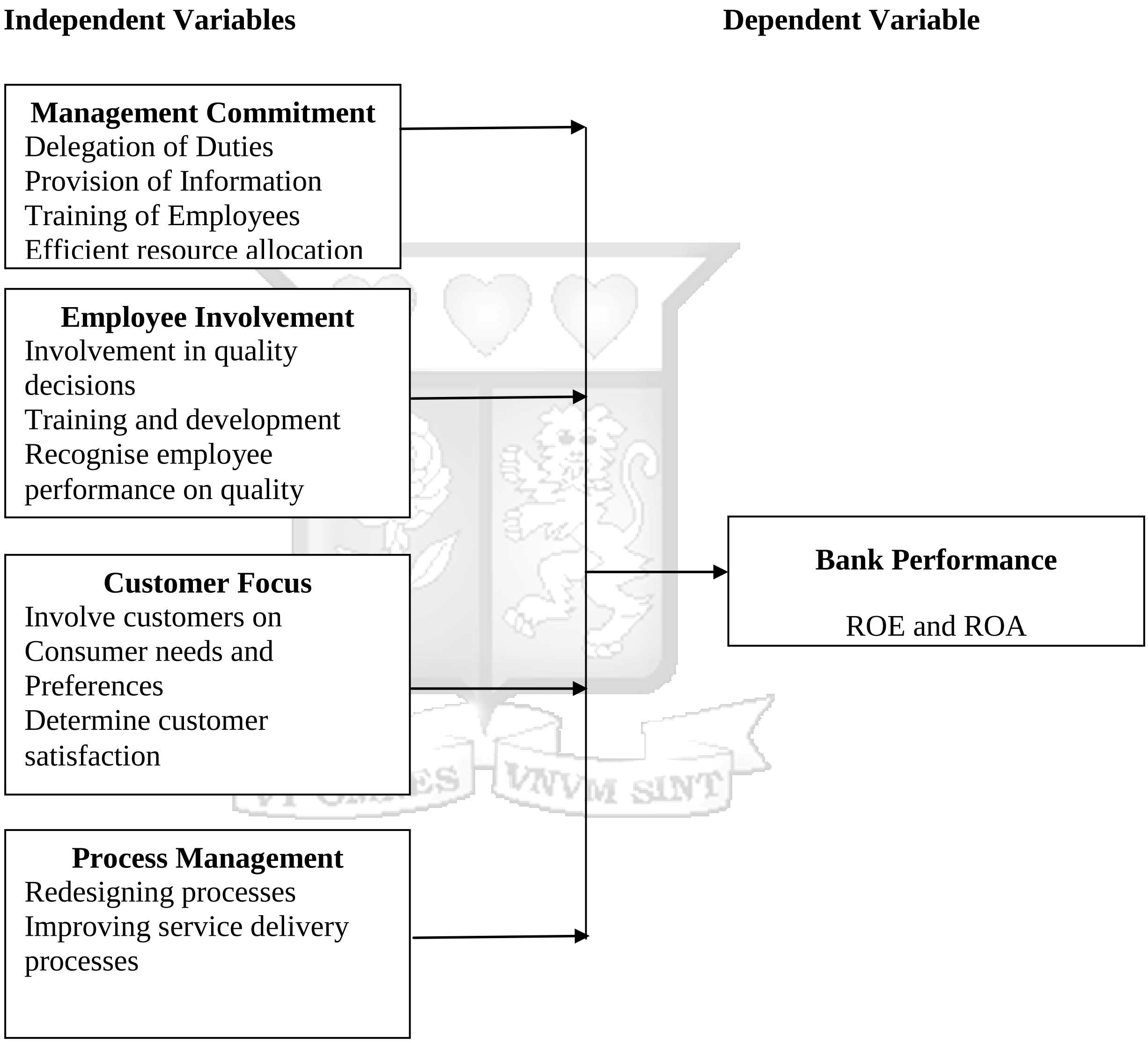


Figure 2.1: Conceptual Framework

2.6 Operationalization of Conceptual Framework

Table 2.1: Operationalization of Conceptual Framework

Parameter	**Measurement**	**Source**
TMC 1.Delegation of Duties 2.Provision of information 3.Training of Employees 4.Effeciency of resource Allocation	Factor arrived from the average mean of variable	Masood et al (2012)
Employee Involvement 1. Involvement in decision making 2. Training and Developmet 3. Recognize employee performance	Factor arrived from the average mean of variable	Masood et al (2012)
Customer Focus 1. Involve Customer in consumer needs and preference 2. Determine	Factor arrived from the average mean of variable	Masood et al (2012)

Customer satisfaction		
Process management 1. Redesigning process 2. Improving Service Delivery Process	Factor arrived from the average mean of variable	Masood et al (2012)
Bank performance	ROA and ROE $\mathrm{ROA} = \frac{\text{Net Income}}{\text{Average Total Assets}}$ $\mathrm{ROE} = \frac{\text{Net Income}}{\text{Shareholder Equity}}$	Munizu (2013)

2.7 Summary and Research Gaps

The review carried out above shows the various studies on the influence of quality management practices in general on financial performance of organisations. Most of the studies have focused on only one quality management model which is the Total Quality management model (TQM) and its influence on fir performance. Most of the studies have also not focused on the situation in Kenya and the results are conflicting with some finding a positive relationship between some practices and bank performance while others find a negative relationship. The few studies in Kenya do not focus on the entire banking industry and mainly focus on TQM alone. There is therefore a gap as far as the study on effects of quality management practices on the performance of commercial banks is concerned in Kenya. This is the gap that this study seeks to bridge.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology. First, a presentation of the research design is provided. This is followed by an explanation on the target population, sampling design, description of research instruments, a description of data collection procedures and a description of data analysis procedures.

3.2 Research Design

This study used a descriptive research design. According to Mugenda and Mugenda (2003) the purpose of descriptive research is to determine and report the way things are and it helps in establishing the current status of the population under study. Saunders, (2009) note that descriptive survey research is intended to produce statistical information about aspects of a study that interest policy makers. This research design is considered appropriate for this study as it will help to describe the relationship between the variables of the study.

3.3 Population of Study

Biber (2004) state that a population is the entire group a researcher is interested in to answer questions to a research study as well as to come up with conclusion concerning the same study. Christensen and Johnson (2014) argue that a population is the derived elements under investigation; inferences for a sample in any study are done from a population that has been earlier defined or selected.The study population was all the registered commercial banks by the Central Bank of Kenya. Currently, there are 42 registered Commercial banks in Kenya. The study adopted a census survey and therefore all the commercial banks were subjected to the study. Data was obtained for a 5 year period from 2010 to 2014. The five years was chosen because other studies have considered such five year period and this study intends also to contribute to this area of study.

3.4 Data Collection

This study used both primary and secondary data. Primary data was collected through the use questionnaires designed based on the study objectives. The questionnaires contained both structured and unstructured questions. The questionnaires also contained likert scale type of questions in order to establish the relationship between the variables. The questionnaires were administered by the researcher where a senior manager from the operations department of each bank was selected to answer the questions. Secondary data was also used in this study. This was collected from annual reports of the 42 commercial banks for the 5 year period between 2010 and 2014 in the form of ROE and ROA. These were collected from the company premises and their websites, the Capital Markets Authority (CMA) for the listed banks, and from the Banking Survey Booklets.

3.5 Data Analysis

Data analysis was carried out through the use of descriptive statistics such as frequencies, percentages and standard deviation. In order to establish the relationship between the independent variables and the dependent variable, multiple regression analysis was carried out. To avoid co-linearity between the independent variables, correlation analysis was carried out and adjustments made to ensure the independent variables do not affect each other and hence the results. The study used the following model

$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + €$

Where

Y Bank performance (ROE and ROA)

X_1 Management Commitment

X_2 Employee Involvements

X_3 Customer Focus

X_4 Process Management

a – is the constant

€ - Error term

3.6 Validity and Reliability

Kothari (2011) measures a research model on its ability to be reliable; it should be depended upon to give similar consistent results every time it is tested or repeated. A research study should be carried out very keenly so that it can produce the same results consistently even when repeated by independent researchers. That way, its suggestions can be applied on effectively without any problems. This study applied Test and Re-test Reliability techniques where by a pilot test of 3 questionnaires were distributed to randomly picked research respondents and comments and suggestions were taken from them after they have filled the questionnaire on issues that they might want clarified or corrected. After one week, the same questionnaire was issued to the same respondents to check whether all issues have been worked upon before the deployment of the general data collection process

With regards to validity, Jha (2008) states that it refers to how effective a study measures what it was set out to measure in the first place by looking at the meaningfulness of the components of a research. The researcher ensured internal validity by assuring the respondents that the research will be confidential and for academic purposes thus they should be open and as honest as possible.

3.8 Ethical Consideration

Among the ethical considerations that the researcher took in to account included: ensuring that relevant permission is sought after before the research is conducted from the management of all the banks in Kenya who have their main branches located in Nairobi. The researcher ensured that the respondents received a full disclosure concerning the nature of the study through an introductory note at the beginning of the questionnaire. The researcher also ensured that the respondents are not coerced into participating in the research by assuring them that the information being collected is on their own volition. The researcher made it abundantly clear that the respondents' privacy will be maintained. This was an attempt to ensure that the respondents' divulgence is unfettered. That way, the information acquired can be relied on to be as accurate as possible; this was acted upon in view to ensure that the respondents divulge as much information as possible willingly. Adding on further, the timeframe that the respondents got was practical enough as to leave enough time for the analysis of data collected through the questionnaires.

CHAPTER FOUR: PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

This chapter is a presentation of the data that was analysed in relation to the adoption of total quality management practices and its relationship with employees' organizational commitment among commercial banks in Kenya. The data was collated and presented in form of tables and charts with the sole purpose of answering the research questions which reflect on the objectives of the study.

4.2 Response Rate

From the data collected, out of the 126 questionnaires administered, 102 were filled and returned. This represents a response rate of 81%. This response rate is considered very good to make conclusions for the study. According to Mugenda and Mugenda (2003) a 50%response rate is adequate, 60% good and above 70% rated very good.. This implies that based on this assertion;the response rate in this case of 81% is good. The results are shown in the Table below.

Table 4.1: Response Rate

	Questionnaires administered	**Questionnaires filled and returned**	**Percent**
Top Management	42	28	66.7%
Middle Level Management	42	35	83.3%
Lower level management	42	39	92.9%
Average			**81%**

Source: Research Data (2016)

4.3 Demographic Results

The researcher sought to establish the demographic characteristics of the respondents. The results are presented in the following sections.

4.3.1 Gender of Respondent

The study sought to establish the gender of the respondents. The results reveal that that a majority 53% of the respondents were female while the rest were male.

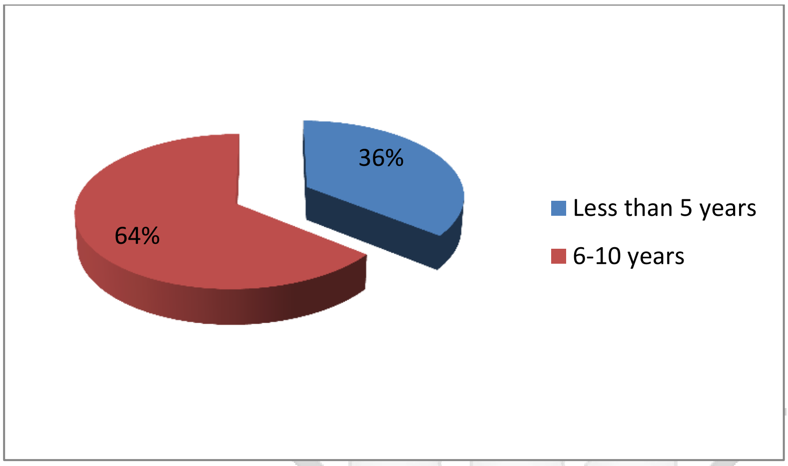
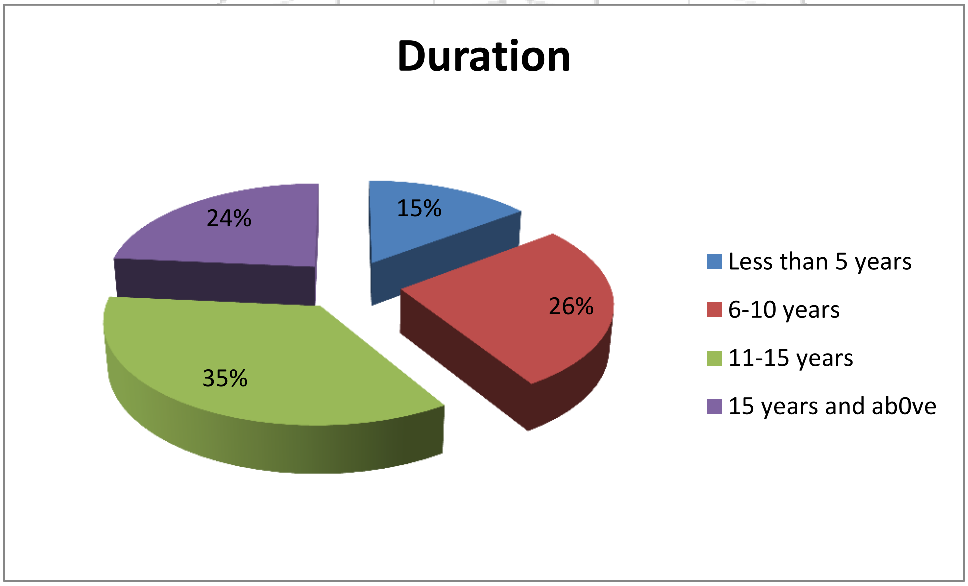


Figure 4.1: Gender of Respondent

Source: Author (2016).

4.3.2 Duration of Employment

The researcher sought to establish the duration that the respondent had been working for their respective commercial banks. The results reveal that a majority (35%) of the respondents had worked in the respective banks for a period of 11-15 years, another 26% for 6-10 years, 24% for 15 years and above and 15% for less than 5 years.



Source: Author (2016).

Figure 4.2: Duration of Employment

4.4 Management Commitment and Bank Performance

The study sought to establish whether there is management commitment in the implementation of QM practices and whether this influences the financial performance of commercial banks. The results clearly reveal that the commercial banks have adopted QM practices largely due to the commitment of senior management to provide improved services to customers. It is also clear that without management commitment, the adoption and implementation of QM practices cannot succeed. Further, the middle and low level management employees feel that senior management personnel are not adequately involved in the process and that almost all the implementation work is left to them. They feel that senior management personnel are only involved in the introduction of new policies but are not committed to the implementation.

Table 4.2: Management Commitment

Statement	**Mean**	**STDEV**
There has been delegation of duties as long as implementation of QM practices	4.24	0.457296
Management is committed to the provision of information on QM practices	4.48	0.550541
Management is committed to the training of employees on the implementation of QM practices	4.68	0.620065
Management has put up strategies to ensure efficient allocation of resources in relation to QM practices	4.58	0.652468

Source: Research Data (2016)

The study also sought to evaluate the influence of management commitment to the implementation of QM practices on bank performance. The results reveal that a very large influence recorded a mean of 4.31 and a standard deviation of 0.68 while moderately large influence recorded a mean of 4.27 and a standard deviation of 0.68.

The average mean was 4.29 and this is a clear indication that management commitment influences bank performance to a very large extent.

Table 2.3: Influence of Management Commitment on Bank Performance

Extent	**Mean**	**STDEV**
Very Large Extent	4.31	0.678545
Moderately Large Extent	4.27	0.682078
Average	4.29	

Source: Research Data (2016)

The researcher also established that the companies hold conferences and seminars for the management teams to educate them on various issues such as the need to implement QM practices. This plays a critical role in promoting management commitment toward adoption and implementation of various QM practices. The respondents also felt that comparison with other commercial banks and service firms is important to help understand how management is involved in the process of QM practices implementation.

4.5 Employee Involvement and Bank Performance

The study sought to establish whether there is employee involvement during the implementation of QM practices and whether this influences the financial performance of commercial banks. The results shown in the table below reveal that commercial banks generally involve their employees in the process of QM practices implementation. This involvement is mainly through consultations and the inclusion of employee proposals in the implementation process. It is however clear from the results that not all employees are involved in the process. It is also important to note that most of the respondents who felt that there was adequate employee involvement were from the top management. Lower and middle level managers felt that employees are not being involved enough and were vocal in providing the strategies that these commercial banks can use to ensure improved employee involvement.

Table 4.4: Employee Involvement

Statement	Mean	STDEV
There has been employee involvement in terms of quality decisions	4.53	0.72957
Employee involvement is being implemented through training and development.	4.65	0.73284
All employees are recognised for their efforts and performance in relation to QM practices	3.23	0.67752
There are performance measures based on the quality of services delivered	4.61	0.63541

Source: Research Data (2016)

The study also sought to establish the extent to which the respondents feel that employee involvement influences the financial performance of the commercial banks. The results reveal that some people felt that employee involvement influences bank performance to a very large extent with a mean of 4.01 and a standard deviation of 0.7, while moderately large influence scored a mean of 4.23 and a standard deviation of 0.69. The average mean was 4.12 and this is an indication of that employee involvement influences bank performance to a very large extent.

Table 4.5: Influence of Employee Involvement on Bank Performance

Extent	Mean	STDEV
Very Large Extent	4.01	0.71285
Moderately Large Extent	4.23	0.69063
Average	4.12	

Source: Research Data (2016)

The researcher also sought to establish the strategies employed by the commercial banks to promote employee involvement in the QM practices implementation. The results reveal that the bank communicates the need for the implementation of these practices to the employees and requests them to make proposals and recommendations on the practices that should be implemented as well as how the process should be carried out. The study also identified that assigning the employees specific responsibilities in the process is critical in improving their involvement.

4.6 Customer Focus and Bank Performance

The study sought to establish whether the implementation of QM practices focuses on customer needs and whether this influences the financial performance of commercial banks. The results reveal that implementation of QM practices is focused on the customer needs since high quality services lead to customer satisfaction. Further, it is clear that commercial banks ask for customer feedback on the quality of services delivered in order to identify the areas that need improvement.

Table 4.6: Customer Focus

Statement	Mean	STDEV
The company ensures that the implementation of QM practices adopts a customer focus	4.45	0.63785
Customer focused strategies are critical in the implementation of QM practices	4.32	0.67453
Your company requests customers to suggest ways of improving the quality of services delivered to them	4.21	0.63174
Incorporating customer suggestions in the introduction of QM practices ensures delivery of the proper services leading to customer satisfaction	4.87	0.73879

Source: Research Data (2016)

The study also sought to establish the influence of adopting a customer approach towards the implementation of QM practices on the financial performance of commercial banks. The results reveal that some people felt that customer focus influences bank performance to a very large extent with a mean of 4.47 and a standard deviation of 0.68, while moderately large influence scored a mean of 4.35 and a standard deviation of 0.69. The average mean was 4.41 and this is an indication of that customer focus influences bank performance to a very large extent.

Table 4.7: Influence of Customer Focus on Bank Performance

Extent	Mean	STDEV
Very Large Extent	4.47	0.67562
Moderately Large Extent	4.35	0.68911
Average	4.41	

Source: Research Data (2016)

The study also sought to establish the various strategies the commercial banks use to ensure QM practices focus on customer needs. The results show that suggestion boxes and encouragement of customer feedback on social media are important strategies being employed by commercial banks today. The respondents also feel that the use of customer surveys can help identify consumer needs in terms of the quality of services they seek.

4.7 Process Management and Bank Performance

The study sought to establish whether the inclusion of process management during the implementation of QM practices influences the performance of the commercial banks. The results reveal that process management is one of the areas that the implementation of QM practices focus on since changes in the critical processes lead to better service delivery in terms of efficiency and effectiveness.

Table 4.8: Process Management

Statement	Mean	STDEV
The company ensures that the implementation of QM practices involves process management	4.59	0.724875
Process management is one of the critical aspects of the implementation of QM practices	4.63	0.773216
Your company has focused on process management in its efforts to implement QM practices	4.35	0.722874
Incorporating process management in the implementation of QM practices ensures successful implementation	4.12	0.731786

Source: Research Data (2016)

The study also sought to establish the extent to which the respondents felt that the involvement of process management during the implementation of QM practices influences bank performance. The results reveal that some people felt that process management influences bank performance to a very large extent with a mean of 4.33 and a standard deviation of 0.66, while moderately large influence scored a mean of 4.07 and a standard deviation of 0.72. The average mean was 4.2 and this is an indication of that employee involvement influences bank performance to a very large extent.

Table 4.9: Influence of Process Management on Bank Performance

Extent	Mean	STDEV
Very Large Extent	4.33	0.657634
Moderately Large Extent	4.07	0.715936

Average	4.2	

Source: Research Data (2016)

The study also sought to establish the various strategies the commercial banks use to ensure implementation of QM practices focuses on process management. The results show that the identification of the most critical processes that influence the quality of service delivery is one of the strategies used by commercial banks. The respondents also note that the mapping of important processes directly involved in service delivery is an important way of ensuring process management is incorporated in the implementation of QM practices.

4.8 Correlation and Regression Results

The table below shows the results of correlation analysis. The correlation analysis was done for all the independent variables and the dependent variable in the study. The dependent variable was return on equity while the independent variables were management commitment, employee involvement, customer focus and process management. This analysis was carried out in order to determine whether there were serial correlations between the independent variables. As serial correlations are a problem when performing regression analysis, this preliminary test was carried out first.

Table 4.10: Correlation Results

	ROE	**MC**	**EI**	**CF**	**PM**
ROE	1				
MC	.447*	1			
EI	.220*	.470	1		
CF	.289*	.207	.347	1	
PM	.242*	.095	.464	.164	1
	ROA	MC	EI	CF	PM
ROA	1				
MC	.424*	1			
EI	.263*	.470	1		
CF	.284*	.207	.347	1	
PM	.257*	.095	.464	.164	1

Source: Research Data (2016)

The results show that there were low correlation between the independent variables and therefore no serial correlations between the variables. None of the correlations between the independent variables was significant. These results therefore reveal that there was no multi-collinearity between any of the predictor variables and therefore the results of the regression analysis could be relied upon.

The results in the table below present the ANOVA from the regression analysis showing the significance of F-statistic.

Table 4.11: ANOVA (ROE)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.205	5	.041	2.541	.002
	Residual	.067	24	.003		
	Total	**.272**	**29**			

Source: Research Data (2016)

The table above shows that the *F*-statistic of 2.541 was significant at 5% level of significance, p = .002. This shows that the model was fit to explain the relationship between the independent variables and financial performance of commercial banks in Kenya (ROE).

Table 4.12: ANOVA (ROA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.203	7	.039	2.432	.003
	Residual	.058	22	.003		
	Total	**.261**	**29**			

Source: Research Data (2016)

The table above shows that the *F*-statistic of 2.432 was significant at 5% level of significance, p = .003. This shows that the model was fit to explain the relationship between the independent variables and financial performance of commercial banks in Kenya (ROA).

Table 4.13: Model Summary

Model (1)	**R**	**R^2**	**Adjusted R^2**	**Std. Error of the Estimate**
1	.643[a]	.627	.702	.05287
Model (2)	R	R2	Adjusted R2	Std. Error of the Estimate
1	.654a	.632	.713	.05124

Source: Research Data (2016)

Source: Research Data (2016)

The results in the table above show that the independent variables had a significant correlation with the financial performance (ROE) (R = 0.643) ROA (R = 0.654).The model accounted for 62.7% of the variance in ROE and 63.2% of the variance in ROA as shown by the R^2. This indicates that ROA is slightly more responsive to quality management practices than ROE

Table 4.14: Regression Results (ROE)

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.015	.037		.418	.680
MC	.002	.001	.119	1.895	.001
EI	.004	.003	.159	1.262	.002
CF	.002	.001	.012	0.064	.003
PM	.005	.002	.234	0.195	.002

Source: Research Data (2016)

Table 4.15: Regression Results (ROA)

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.017	.029		.399	.641
MC	.003	.001	.107	1.743	.001
EI	.003	.012	.163	1.311	.003
CF	.002	.002	.117	0.067	.001
PM	.004	.001	.216	0.182	.003

Source: Research Data (2016)

The results in the tables above show that management commitment had a positive effect on the performance of commercial banks in Kenya and this effect was significant at 5% level (B = 0.002, p = 0.001) for ROE and (B = 0.003, p = 0.001) for ROA.

The results also show that employee involvement had a positive effect on the performance of commercial banks in Kenya and this effect was significant at 5% level (B = 0.004, p = 0.002) for ROE and (B = 0.003, p = 0.003) for ROA.

The results in the table above also show that customer focus had a positive effect on the performance of commercial banks in Kenya and this effect was significant at 5% level (B = .002, p = 0.003) for both ROE and ROA

Finally, the results in the table above show that the process management had a positive effect on the performance of commercial banks in Kenya and this effect was significant at 5% level (B = 0.005, p = 0.002) for ROE and (B = 0.004, p = 0.003) for ROA.

The results are discussed in the following chapter.

CHAPTER FIVE: DISCUSSION

5.1 Introduction

This chapter presents the summary of findings, conclusion of the study, recommendations for policy and practice, limitations of the study, and suggestions for further research. The main objective of this study was to evaluate the influence of QM practices on the performance of commercial banks in Kenya.

5.2 Discussion of Findings

The discussion of findings was on the influence of QM practices on the performance of commercial banks in Kenya. They were presented under the headings of the four main quality management practices chosen to carry out the study.

5.2.1 Management Commitment and Bank Performance

The study sought to evaluate the relationship between management commitment to the implementation of QM practices and the performance of commercial banks in Kenya. The results clearly reveal that the commercial banks have adopted QM practices largely due to the commitment of senior management to provide improved services to customers. It is also clear that without management commitment, the adoption and implementation of QM practices cannot succeed. Further, the middle and low level management employees feel that senior management personnel are not adequately involved in the process and that almost all the implementation work is left to them. They feel that senior management personnel are only involved in the introduction of new policies but are not committed to the implementation. This is in line with the results of Zhang (2007) who reveals that commitment and personal involvement is required from top management in creating and deploying clear quality values and goals consistent with the objectives of the company.

The results in the table above show that management commitment had a positive effect on the performance of commercial banks in Kenya and this effect was significant at 5% level ($B = -0.002$, $p = 0.001$) for ROE and ($B = 0.003$, $p = 0.001$) for ROA. These results show that the commitment of senior management towards the implementation of quality management practices encourages the other employees to work at optimal productivity. This in turn leads to improved bank performance (Luchinga, 2014).

5.2.2 Employee Commitment and Bank Performance

The study also sought to establish whether there is employee involvement during the implementation of QM practices among the commercial banks in Kenya. The results reveal that commercial banks generally involve their employees in the process of QM practices implementation. This involvement is mainly through consultations and the inclusion of employee proposals in the implementation process. It is important to note that on this matter, the feelings of senior management and other management levels differ. Lower and middle level managers felt that employees are not being involved enough and were vocal in providing the strategies that these commercial banks can use to ensure improved employee involvement. Otunga (2007) posits that it is important for management to keep employees in the picture at all times when decisions are being made regarding QM practices and their implementation, which should encourage participation and help ease transition.

The results also show that employee involvement had a positive effect on the performance of commercial banks in Kenya and this effect was significant at 5% level (B = 0.004, p = 0.002) for ROE and (B = 0.003, p = 0.003) for ROA. These results are similar to those of Chepkech (2014) whose findings of the multiple regressions analysis showed that the observed changes in organizational performance attributed to the elements of total quality management practice is 56.9% (r2=.569). The results of Al-Shobaki, et al. (2010) also show that the application of TQM in the Jordanian banking sector lead to increased productivity and ability to compete in the global markets.

5.2.3 Customer Focus and Bank Performance

The study sought to establish whether the implementation of QM practices focuses on customer needs. The results reveal that implementation of QM practices is focused on the customer needs since high quality services lead to customer satisfaction. Further, it is clear that commercial banks ask for customer feedback on the quality of services delivered in order to identify the areas that need improvement. These results are in line with those of Soltani (2005) who found that an organization must identify customer relationship to measure customer needs and expectations; involve customers in quality improvement and determine customer satisfaction.

The study also sought to establish the influence of adopting a customer focus in the implementation of QM practices on the performance of commercial banks. The results show that customer focus had a positive effect on the performance of commercial banks in Kenya and this effect was significant at 5% level (B = .002, p = 0.003) for both ROE and ROA. This is in line with the results of Jaafreh and Al-abedallat (2013) who found that that there is a positive relationship between the implementation of QM practices and organisation performance.

5.2.4 Process Management and Bank Performance

The study also sought to establish whether the inclusion of process management during the implementation of QM practices influences the performance of the commercial banks. The results reveal that process management is one of the areas that the implementation of QM practices focus on since changes in the critical processes lead to better service delivery in terms of efficiency and effectiveness. Brahet, al. (2001) noted that the effectiveness of process management implementation has been cited as one of the major dimensions of integrated quality efforts. QM practices work on the belief that the overall quality of products can be enhanced by improving the quality of the processes directly or indirectly related to their creation. The objective of process management is to reduce process variation by building quality into the production process.

The results finally show that process management had a positive effect on the performance of commercial banks in Kenya and this effect was significant at 5% level (B = 0.005, p = 0.002) for ROE and (B = 0.004, p = 0.003). This is in line with the results of Jaafreh and Al-abedallat (2013) who noted that the focus on process management results in the increase the quality of outputs as well as decreasing the costs such as rework costs and waste costs. This in turn leads to improved overall bank performance.

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions of the Study

The study sought to evaluate the influence of management commitment towards the implementation of quality management practices on the performance of commercial banks. The results reveal that there is a positive relationship between management commitment towards QM practices implementation and the performance of commercial banks. The study therefore concludes that the commitment of senior management towards the process of identifying, adopting, and implementing practices to improve quality in their commercial banks results in a higher rate of success in the process. This in turn ensures that employees are able to provide high quality services to customers achieve customer satisfaction, gain customer loyalty and finally, influence performance of the overall commercial bank.

The study sought to evaluate the influence of employee involvement in the implementation of quality management practices on the performance of commercial banks. The results reveal that there is a positive relationship between employee involvement in QM practices implementation and the performance of commercial banks. The study therefore concludes that the since employees are the ones responsible for implementing the quality management practices introduced by management, it is important to involve them through consultations and effective communications of the needed changes. This ensures that they are fully committed to the implementation process which in turn improves their productivity and that of the bank.

The study sought to evaluate the influence of customer focus during the implementation of quality management practices on the performance of commercial banks. The results reveal that there is a positive relationship between customer focus during QM practices implementation and the performance of commercial banks. The study therefore concludes that the introduction of quality management practices should be geared towards the satisfaction of customers since they are the recipients of service. It is also concluded that focusing on the needs and expectations of customers in terms of quality of service is important in ensuring their satisfaction, loyalty, and improved bank performance.

The study finally sought to evaluate the influence of process management in the implementation of quality management practices on the performance of commercial banks. The results reveal that there is a positive relationship between process management in QM practices implementation and the performance of commercial banks. The study therefore concludes that the focus in improving the quality of the various processes in the organization is an effective way of improving quality of the output. Efficient processes lead to better quality service, lower costs and therefore improved bank performance.

6.2 Recommendations of the Study

The study recommends that there is need for senior management personnel in commercial banks to understand the importance of their commitment towards the adoption and implementation of QM practices since success largely depends on this commitment. It is also recommended that commercial banks should develop policies that require senior management to be involved in quality improvement efforts since this ensures success of the efforts and improved bank performance.

The study also recommends that there is need to increase the involvement of employees in the process of identification and implementation of quality management practices in the commercial banks. This is due to the fact that employees are the ones responsible for the daily delivery of service to the customers and therefore they determine the success of the quality management program. The study also recommends that employee recommendations and input should be sought and incorporated in the process since they know what makes the customer happy.

The study also recommends that the efforts to improve quality of service delivered to customers should be guided by the customer needs. The study therefore recommends that commercial banks should establish an employee feedback mechanism which can help offer crucial pointers on their expectations in terms of service.

The study also recommends that the efforts to improve quality in the commercial banks should also place a major focus on the various processes since these determine the quality of output. Commercial banks should ensure that they improve the efficiency of their daily processes which in turn will ensure that the output in terms of quality is improved. Finally, the study recommends that it is important to evaluate the system processes in the entire commercial bank in order to identify the areas that need improvement in order to achieve the goal of improved service delivery to the customers.

6.3 Areas of Further Study

The study recommends that more studies should be conducted on the topic using fairly longer time periods (more than 10 years) as such studies may be useful in showing the trends as well as the long terms relationship between various quality management practices and performance of commercial banks in Kenya.

The study also recommends that further studies explore the relationship between the implementation of QM practices and bank performance using a case studies to identify the specific practices adopted by each commercial bank. This will allow for comparisons between the commercial banks, other service and manufacturing industries as well as with other banks in the international arena.

Future studies can use an improved model with more bank-specific control variables in the model as such may improve the accuracy of the model and therefore lead to better and robust results.

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APPENDICES

Appendix 1 Research Questionnaire

Answer these questions as truthfully as possible. There is no right or wrong answers. The responses will be kept confidential.

Section 1: General Information

1. Please indicate your gender?

   Male ( )

   Female ( )

2. What is your designation?

   Top Level Management ( )

   Middle Level Management ( )

   Low-Level Management ( )

3. How long have you been working in the Bank?

   Less than 5 years ( )

   6-10 years ( )

   11-15 years ( )

   Over 15 years ( )

Section 2: Study Questions

Use the key 1-5 for all sections as outlined in the questionnaire

1) Strongly disagree 2) Moderately disagree 3)Neutral

4) Moderately agree 5) Strongly agree

Top Management Commitment

Please indicate whether you agree with the following statements about top management commitment as a practice of QM in your company

		1	2	3	4	5
4.	There has been management commitment in the implementation of QM practices					
5.	Management commitment is critical in the implementation of QM practices					
6.	Senior management is involved in the implementation of QM practices					
7.	The adoption of QM practices largely depends on the strategic thinking of senior management					

8. To what extent do you believe that management commitment influence firm performance?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

9. How does your company ensure that there is senior management commitment in the adoption and implementation of QM practices?

....

....

....

....

10. Please indicate other strategies that can be employed to ensure management commitment in the process of QM practices implementation

....

....

....
....

Employee Involvement

Please indicate whether you agree with the following statements about employee involvement as a practice of QM in your company

		1	2	3	4	5
11.	There has been employee involvement in the implementation of QM practices					
12.	Employee involvement is critical in the implementation of QM practices					
13.	All employees are involved in the implementation of QM practices					
14.	Consulting employees before the introduction of QM practices ensures their commitment to the implementation process					

15. To what extent do you believe that employee involvement influences firm performance?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

16. How does your company ensure that there is employee involvement in the adoption and implementation of QM practices?

....
....

....
....

17. Please indicate other strategies that can be employed to ensure employee involvement in the process of QM practices implementation

....
....
....
....

Customer Focus

Please indicate whether you agree with the following statements about customer focus as a practice of QM in your company

		1	2	3	4	5
18.	The company ensures that the implementation of QM practices adopts a customer focus					
19.	Customer focused strategies are critical in the implementation of QM practices					
20.	Your company requests customers to suggest ways of improving the quality of services delivered to them					
21.	Incorporating customer suggestions in the introduction of QM practices ensures delivery of the proper services leading to customer satisfaction					

22. To what extent do you believe that customer focused strategies in QM practices implementation influence firm performance?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

23. How does your company ensure that there is customer focus in the adoption and implementation of QM practices?

....
....
....
....

24. Please indicate other strategies that can be employed to ensure the adoption of customer focused strategies in the process of QM practices implementation

....
....
....
....

Process Management

Please indicate whether you agree with the following statements about Process Management as a practice of QM in your company

		1	2	3	4	5
18.	The company ensures that the implementation of QM practices involves process management					
19.	Process management is one of the critical aspects of the implementation of QM practices					
20.	Your company has focused on process management in its efforts to implement QM practices					

21.	Incorporating process management in the implementation of QM practices ensures successful implementation					

22. To what extent do you believe that involvement of process management during the implementation of QM practices influences firm performance?

Very large extent ( )

Moderately large extent ( )

Am neutral ( )

Moderately low extent ( )

Very low extent ( )

23. How does your company ensure that the implementation of QM practices also focuses on process management?

....
....
....
....

24. Please indicate other strategies that can be employed to ensure the focus on process management during the process of QM practices implementation

....
....
....
....

Financial Performance

24. Please indicate the extent to which the following quality management practices influence ROE where

1 is Very low extent, 2 is moderately low extent, 3 is neutral, 4 is Moderately large extent and 5 is Very large extent.

		1	2	3	4	5
	Process management					
	Customer focus					
	Management Commitment					
	Employee Involvement					

25. Please indicate the extent to which the following quality management practices influence ROA where

1 is Very low extent, 2 is moderately low extent, 3 is neutral, 4 is Moderately large extent and 5 is Very large extent.

		1	2	3	4	5
	Process management					
	Customer focus					
	Management Commitment					
	Employee Involvement					

THANK YOU FOR YOUR TIME AND CONTRIBUTION

Financial Ratios

Bank	Ratio	5 YEAR AVERAGE
Bank 1	ROA	3.73
	ROE	24.84
Bank 2	ROA	4.35
	ROE	28.31
Bank 3	ROA	4.17
	ROE	25.45
Bank 4	ROA	5.21
	ROE	29
Bank 5	ROA	3.7
	ROE	25.63
Bank 6	ROA	1.69
	ROE	10.38
Bank 7	ROA	3.75
	ROE	22.82
Bank 8	ROA	2.46
	ROE	13.88
Bank 9	ROA	3.08
	ROE	21.99
Bank 10	ROA	3.1

	ROE	21.56
Bank 11	ROA	1.96
	ROE	15.26
Bank 12	ROA	3.21
	ROE	19.35
Bank 13	ROA	2.37
	ROE	17.39
Bank 15	ROA	1.9
Bank 16	ROE	18.84
	ROA	3.27
Bank 17	ROE	28.45
	ROA	3.8
Bank 18	ROE	22.48
	ROA	4.32
Bank 19	ROE	34
	ROA	3.5
Bank 20	ROE	28.74
	ROA	1.80
Bank 21	ROE	12.42
	ROA	3.20
Bank 22	ROE	20.42
	ROA	2.86

Bank 23	ROE	14.88
	ROA	3.68
Bank 24	ROE	24.56
	ROA	3.74
Bank 25	ROE	27.8
	ROA	3.96
Bank 26	ROE	25.26
	ROA	3.81
	ROE	22.35
Bank 27	ROA	2.37
	ROE	18.39
Bank 29	ROA	3.88
Bank 30	ROE	20.84
Bank 31	ROA	2.85
	ROE	32.31
Bank 32	ROA	4.44
	ROE	25.46
Bank 33	ROA	2.24
	ROE	19

Bank 34	ROA	3.71
	ROE	25.83
Bank 35	ROA	1.98
	ROE	13.38
Bank 36	ROA	3.65
	ROE	26.82
Bank 37	ROA	3.96
	ROE	23.88
Bank 38	ROA	3.88
	ROE	27.99
Bank 39	ROA	3.9
	ROE	21.86
Bank 40	ROA	1.95
	ROE	14.6
	ROA	3.24
	ROE	18.15
Bank 41	ROA	2.31
	ROE	17.49

Bank 42	ROA	3.55
	ROE	24.54