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## The implementation of total quality management in order to improve production performance and enhancing the level of customer satisfaction

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### Abstract

Doing business in a competitive and dynamic environment requires companies to continually improve and enhance their business performance and capabilities. One of the key determinants of the survival of the company in such circumstances is the application of total quality management. In recent years, the company management is more focused on total quality management, which leads to maximizing customer satisfaction and loyalty. The aim of this study is focused at examining the attitudes of corporate clients on a variety of elements implemented TQM process, provided by bank. For the study, data were collected using the survey method and the statistical analysis such as correlation and multiple regression analysis. Results of the research point out that top management commitment, courtesy and responsibility towards our customers as significant factors of satisfaction. Study results help bank managers to identify quality elements that need to be improved, to increase the level of customer satisfaction and enhance their business.

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*Keywords:* Total quality management (TQM); quality management (QM); quality management system (QMS); production performance, customer satisfaction.

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## 1. Introduction

In recent years, modern-oriented companies are subjected to numerous economic, political, technological and social changes. Increasing competitive struggle, the appearance of new knowledge and technology, information and communication capabilities, constantly increasing needs and demands of consumers, the new regulations and the likewise, influenced the emergence of a new philosophy of business companies. During the '80s, in the business world, appeared a new management concept-quality management (QM). Total Quality involves the implementation of total quality management (TQM) that is used to integrate business operations to create products /services with maximum quality. Quality has become a key element in the survival of the companies in the competitive market [1]. Delivering high quality products and services leads to achieving and maintaining competitive advantage [2]. Because business success lies in its ability to effectively implement total quality system that will maintain a high level of quality products and / or services at a relatively minimal cost.

TQM has emerged as a response of successful companies to rapid and significant changes in the environment. Over the years, there have been altered needs and demands of customers primarily in terms of a higher level of quality products and services at lower prices. To be able to identify the requirements and expectations of customers and respond quickly to identified requirements, it is necessary to systematize and develop a set of approaches and methods that are commonly referred to as TQM.

According to the study by Mehra et al. [3], TQM concept should be seen as a consumer-oriented concept. It is a system that starts with consumers and ends with them. The basis of TQM lies in creating value for customers, continuous improvement and quality advancement, accurate and precise measurement of the performance of each business process, as well as the teamwork of human resources. Successful implementation of TQM improves organizational performance of companies and leads to a high degree of satisfaction to consumers and employees.

TQM system refers not only to the quality of products, but also includes the quality of the services sector [4]. For the successful implementation of TQM practices, in addition to identifying the key dimensions of TQM, of great importance is performance measurement [5]. Based on a study [6], consumer satisfaction is a key dimension of determining the quality of services provided by the organization and, as such, is a key feature of TQM [7]. Although there are a number of scientific research dealing with the study of the relationship of TQM, business performance and customer satisfaction in the services sector [4, 8, 9], this study aims to effectively contribute to and support the importance of the implementation of total quality management on customers' satisfaction and improve performance in the banking sector. The aim of this study was to investigate the nature of the practice of total quality management (TQM) and its relationship to customer satisfaction. Empirical research was conducted on a sample of 124 respondents, who are managers of small and medium enterprises that operate through banks in the Republic of Serbia. The results of this research will help bank management to improve the performance of their service offers to the ultimate aim to improve and enhance the overall organizational performance of companies.

## 2. Literature review

### 2.1. *The essence and characteristics of TQM*

In order to achieve business success, many companies implement TQM as one of the important techniques of quality improvement. TQM has been applied in a variety of sectors around the world. Although he found wide application in many organizations, there is no generally accepted definition of TQM, but as a concept is interpreted in different ways. According to ISO standards, TQM is defined as an approach to organizational management that is focused on quality and based on the activities of all members of the organization, in order to achieve long-term success through customer satisfaction, and benefits all members of the organization and the community. Total quality can be seen as a way to manage business processes in order to ensure total customer satisfaction at every level [10]. It is a concept that enables efficient operation of enterprises and increase competitiveness. Stevenson defines Total Quality as a business philosophy based on the involvement of all stakeholders in the company in order to achieve adequate quality [11]. The contributions of Deming, Juran, and Crosby to improving total quality management have had a most important impact on managers and organizations around the world [12].

The key elements of the concept of TQM are [13]:

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