

TOTAL QUALITY MANAGEMENT PRACTICES AND PERFORMANCE OF COMMERCIAL BANKS IN GARISSA COUNTY, KENYA

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ABSTRACT

The overall goal of any business entity is to have the needs of customers satisfied. They do this by offering quality products or services. It is imperative that within an organization, all internal customers are satisfied to ensure complete satisfaction of external customers. Total Quality Management is the most currently used means of management that aim at enhancing financial performance of organizations by meeting its customer needs and quality of the products. The study mainly sought to find out the major influence that; concept of total quality has on the management of Kenyan commercial bank. The study sought to establish the effect of total quality management practices and performance of Commercial banks in Garissa County, Kenya. The objectives of the study were to establish effect of employee involvement, management commitment, continual improvement and customer focus on performance of commercial banks in Garissa County, Kenya. The study was based on Knowledge based theory, Deming's theory of Total quality management and systems approach theory. The study used descriptive research design and a population of 104 respondents drawn from top and middle level management was considered. A sample of 40% was taken generating 42 respondents. Both structured and unstructured

questionnaires with closed and open-ended questions were used intensively to gather relevant data that was used in this study. Different questions were used to give the respondents a wide variety and give room for respondents to answer the objectives in question as exhaustively as it is established. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS (Version 22) and presented through percentages, means, standard deviations and frequencies. In addition, the study conducted a multiple regression analysis to estimate the model for the study. The analysed data was presented in graphs, frequencies, charts and tables for interpretation and to enable draw conclusions and recommendations thereof. The findings of this study will be useful to commercial banks since it will provide insights on the importance of practicing quality management practices in the banking industry to achieve financial performance of firms. In theory, this study will be resourceful in providing more information on the various quality management practices adopted by firms. The study will also serve as a point of reference to academicians interested in this area and other related topics.

Key Words: *total quality management practices, performance, commercial banks, Garissa County, Kenya*

INTRODUCTION

Total quality management theory has become more familiar since the 1980s where the banking industry offers services of varying qualities. When an entity is structured with a culture of offering quality goods or services to its customers which satisfy their desired standards, then such an entity is observing Total Quality. The practice demands quality in all dimensions of the company's undertakings with things done as desired from the onset and any wastage and spoilages being kept to the very minimum during routine business (Stock and Mulki, 2009). For almost all organizations, rapid developments in the business

environment such as globalization have made them to adopt a spirit of completion and innovation so as to be able to meet the equally changing customer needs and expectations. In order to compete effectively, it has become essential for businesses to constantly improve on the quality of their products and services by marketing, product differentiation and cost reduction (Chang and Huang, 2005).

Banking institutions have managed to demonstrate exemplary performance and also improved their results regardless of stiff competition for a piece of the market. TQM have been introduced into the market as a result of raising competition. The commercial banks managed to remain very stable, the deposits and assets of shareholders increased by 35.35% and 32.9% respectively (Central Bank of Kenya, 2010). There are a number of management styles applied in organizations in order to achieve goals, set objectives and targets of their business.

Organisational Performance

Performance is the state of yielding a financial gain. It is the capacity to make a profit whether accounting or economic. Performance is measured using bank profitability. Profitability is a primary goal of any business venture without which the business cannot survive in the long run. It measured using income and expenses, income being money generated from the activities of the business for example interest income for banks and expenses being costs incurred or resources consumed by the activities of the business for example interest paid on deposits by banks. Profitability is measured using an income statement and it is the most important measure of business success. Increasing profitability therefore is one of the most important tasks of business managers. It is for this reason therefore that they are constantly looking for ways to change their businesses and consequently increase profitability and hence the adoption of policies such as the use of strategies such as TQM which have the ultimate goal of increasing banks profitability by reducing losses through loan defaults.

Research on the determinants of banks' profitability has been attentive to both the returns on bank assets and equity and net interest rate margins. Bank performance and bank interest margins can be seen as indicators of the efficiency or inefficiency of the banking system, as they drive a wedge between the interest rate received by savers on their deposits and the interest paid by borrowers on their loans Kunt et al., (2001). Profitability measure seems to be most significant for stockholders of a bank since it reveals what the bank is earning on their investments Rasiah, (2010). Two types of interest influence the profitability of a bank, interest expenses and interest income. Interest expenses and interest income affect net interest income and therefore bank profitability. Rasiah, (2010), Loans are the bank's assets whereas the deposits are the bank's liabilities. Though there are numerous other sources of income for banks such as account maintenance fees, cheque clearance fees, over the counter and ATM withdrawal charges etc, interests charged on bank loans are expected to be the main source of income and are expected to have a positive and greatest impact on a commercial banks' performance, Bennaceur et al. (2008).

Total Quality Management Practices

Total Quality Management, TQM, is a method by which management and employees become involved in the continuous improvement of the production of goods and services. It is a combination of quality and management tools aimed at increasing business and reducing losses due to wasteful practices (Hashmi, 2010). In fact Total Quality is a description of the culture, attitude and employee involvement to provide customers with products and services that satisfy their needs. The culture requires quality in all aspects of the company's operations, with processes being done right the first time and defects and waste eradicated from operations (Peters, 1994). TQM philosophy begins at the top, from the board of directors to the line employees.

TQM is an ideology which is focused on the satisfaction of customer's need. TQM require organisations to develop a customer focused operational processes and at the same time committing the resources that position customers and meeting their expectation profitably. This implies an approach of changing the corporate culture of an organisation to be customer centric. TQM requires effective change in organizational culture which is enhanced by the deep involvement/commitment of management to the organisation's strategy of continuous improvement, open communication and cooperation throughout the organisation; broad employee interest, participation and contribution in the process of quality management. Leaders in a TQM system view the firm as a system; support employee development; establish a multipoint communication among the employees, managers, and customers; and use information efficiently and effectively. In addition, leaders encourage employee participation in decision-making and empower the employees.

TQM requires effective knowledge management so as to ensure that employees obtain timely reliable, consistent, accurate, and necessary data and information as they need to do their job effectively and efficiently in the firm. TQM is concerned with the continuous improvement in all the process of design and operation, from the levels of planning and decision making to the execution of work by the front line staff. The focus on continuous improvement leads to the formation of formidable team whose membership is determined by their work on the detailed knowledge of the process, and their ability to take improvement action. TQM also implies reducing and streamlining the supplier base to facilitate managing supplier relationships, developing strategic alliances with suppliers, working with suppliers to ensure that customer expectations are met.

Total Quality Management Practices and Performance

Blecken, (2009) Total quality management is a management philosophy which emphasizes the devolution of authority to the front line staff. It ensures the participation of everyone in the decision making process through activities such as quality cycles and team work. The implementation of TQM ensures that every worker in the organization does his work with quality the first time, thus improving the efficiency of operation and avoiding some cost associated with waste. This in turn will offer more value to customers in terms of price and service quality, thus making them satisfied. Implementation of TQM further ensures that

organisations change how they perform activities so as to eliminate inefficiency, improve customer satisfaction and achieve the best practice.

Sila, (2007), TQM helps in improving the quality of products and also reduces and establishes a stable production process. Continuous improvement which is a feature of TQM is said to reduce the product cycle time thus improving performance. Many other TQM practices such as training, information system management, relationship with suppliers etc have a positive impact on operational performance. The efficient management handling of these practices will improve efficiency and no doubt affect the profitability of the firm through efficient quality provision.

In another study Terziovski and Samson (2006) tested the impact of company size on the strength of the relationship between TQM and organizational operational performance. They confirmed that TQM has a significant and positive relationship with most of the dimensions of operational performance, but also concluded that larger companies tend to gain greater benefits from TQM than smaller firms. Some authors focused on the relationship between TQM implementation and specific type of operational performance: Agus and Hassan (2000), for example, confirmed the positive relationship between the length of TQM adoption and financial performance, while other theorists proved the positive impact of TQM implementation on the long-run stock price performance.

Karia and Asaari (2006) examined the impact of TQM practices on employees' work-related attitudes. The results of their empirical study indicated that training and education have a significant positive effect on job involvement, job satisfaction, and organizational commitment. Empowerment and teamwork significantly enhance job involvement, job satisfaction, career satisfaction, and organizational commitment. Finally, continuous improvement and problem prevention significantly enhance customer satisfaction and organizational performance.

Numerous researchers also recognized that successful implementation of TQM and the scale of the potential benefits that can be obtained through this approach depend on several factors. Hoogervorst e/ al. (2005) argued that TQM approach requires focus on employee behaviour, attention to organizational culture, management practices, and organizational structures and systems. The research on TQM practice in Kenyan Commercial banks looks to make a unique contribution to the existing body of quality literature by addressing Total Quality Management practices from a different environmental set up, namely: by advancing on the Seraph et al (2009) critical eight factors of QM practices and their influence in the financial performance.

Commercial Banks in Kenya

Kenya's banking industry is divided into three tiers with a total of 43 banking houses. These include both commercial and public banks although strictly speaking, there is no such thing as a public bank since all of them aim to make profits openly with common burdens of unpaid loans as well as risky ventures in their day to day operations. The Central Bank of Kenya (CBK) reports that there are 43 banks currently operating in Kenya with 6 banks found in the top tier controlling almost 50 percent of the market followed by 16 Tier 2 banks

that control another 42 percent of the market leaving out a paltry 8 percent of the market controlled by Tier 3 banks which are mainly 21 small private banks. In effect, the Tier 1 banks are the old stable large banks composed of Cooperative, Commercial, Equity, Barclays, Standard Chartered and CBA. Some of the major Tier 2 banks include Diamond Trust, NIC, Family bank, Eco bank, HFCK, I&M and CFC Stanbic. The final Tier 3 banks include such banks as Baroda, Jamii Bora, Fidelity, ABC and Guardian.

STATEMENT OF THE PROBLEM

The banking sector has consistently been characterized by persistent operational inefficiency and poor customer services and in order to address the problems of inefficiency in performance these organizations are fast adopting TQM in order to make them effective in meeting public demands (Maxwell, 2011). Despite the fact that quality management practices have been recognized by many organization as capable of transforming the quality culture and producing substantial financial results for large size companies, some concerns have been raised about validity of quality management practices to generate real economic gains and or improve financial performance of firms. A number of empirical studies have been conducted since the 1980's in order to explore the variance between quality management practices and financial performance. Ugboro, (2011) investigated the application of TQM and found out that despite the fact that quality management has been addressed within a firm, Total Quality Management and its underlying assumptions could also be applicable to strategy management. However the study shows application of TQM in a telecommunication set up, results of which may not be applicable in banking sector. Mwangi, (2013) in his study found that stakeholders including non-governmental organizations continue to focus their attention on education but he does not mention what other areas are to be focused on for performance improvement. A survey was carried out by Moghimi and Anvari (2014) to evaluate the relationship between TQM and financial performance of 40 Iranian cement companies, a descriptive survey was carried out on the effects of TQM on financial performance of cement firms. A sample of 25 cement companies was conducted; qualitative and quantitative data was used. A descriptive statistics method of data analysis was applied. The findings of the study revealed a positive relationship between TQM and financial performance of cement companies in Iran. In Kenya, there have been efforts to improve quality in commercial banks; this is aimed at achieving quality goods and services to meet the ever growing needs of customers. Despite the measures put in place to ensure implementation of quality management practices, some commercial banks have faced various challenges making it difficult for them to reap the benefits of quality management practices. Ogada (2012) revealed the importance sugar manufacturing companies attach to quality management improvements. The quality management practice that was largely practiced was top management commitment indicating that top management is actively involved in quality management and is providing clear and consistent leadership. Rono (2013) found that the challenges to effective implementation of lean manufacturing can be managed well and through training of the lean manufacturing concept, its implementation in the organization will be successful. These studies were too broad and did not address issues of quality management practices in relation to performance commercial banks in Kenya. This study

therefore sought to fill this gap by establishing the relationship between total quality management practices and performance of commercial banks in Garissa County.

GENERAL OBJECTIVE

The main objective of the study was to investigate the effect of total quality management practices on performance of commercial banks in Garissa County.

SPECIFIC OBJECTIVES

1. To establish the effect of employee involvement on performance of Commercial Banks in Garissa County.
2. To investigate the effect of top management commitment on performance of Commercial Banks in Garissa County.
3. To find out how continuous improvement influences performance of Commercial Banks in Garissa County.
4. To assess the relationship between customer focus and performance of Commercial Banks in Garissa County.

THEORETICAL REVIEW

Knowledge-based Theory

Knowledge is considered as the most critical firm resource. Its proponents argue that knowledge is a unique commodity hence hard to duplicate. The knowledge and capabilities in a firm are what a firm would use to create its competitive edge hence setting it apart from the rest hence proving them a niche above the rest. The knowledge an organization has is always exhibited in its cultures and identities, policy documents, systems and practiced by employees (Barney and Conner, 2012).

Markets and technologies represent two aspects of knowledge that a firm could have. They exhibit great performance opportunities as they allow for research and development within the firm, while on the other end extrapolate the business potential of the organization in the changing business climate. With this, the firm can know best which type of actions to take in order to operate competitively and create opportunities (Brown, 2007).

Many firms consider that to act with efficacy in today's economy, it is imperative for them to become a knowledge-based organization. But few understand what that means, and how to make the changes necessary to achieve it. Perhaps the most common mistake firms do is considering that the higher the knowledge content of their products and services, the most close they are to be true knowledge-based organizations. But the products and services are only the visible and tangible reality they present to their clients – the tip of the iceberg. As in real icebergs, the largest reality that allows the firm to produce is located below the surface of the water, hidden in the intangible assets of the organization, and it entails the knowledge of what the firm does, how it is done, and why it is done that way (Zack, 2003).

Knowledge-based capabilities are considered to be the most strategically important ones to create and sustain competitive advantage (DeNisi et al., 2003). Superior talent is recognized

to be the main creator of sustained competitive advantage in high performance firms (Hiltrop, 1999). The capacity to learn faster than competitors could turn out to be the only sustained competitive advantage (Geus, 1988). This dynamic capability builds up over time a historical or path dependency (Collis, 1991; Winter, 1987), creating causal ambiguity (creating barriers to imitability and making it very difficult for other firms to recreate the unique historical evolution each organization develops), and it establishes a basis for competitive advantage (Lei et al., 1996).

Capabilities and capacities lead to superior sustained performances because they are specific to each organization (they are temporarily immobile and unique to that firm), valuable to the clients, non-substitutable and hard to imitate (Rugman and Verbeke, 2002). Capacities are difficult to duplicate (Blackler, 2002). The replication of organizational routines, for example, is a very difficult and expensive process because replication itself is an organizational capability only developed through execution (Winter & Szulanski, 2002).

Deming's Theory of Total Quality Management

Deming's TQM theory is grounded upon fourteen management points, profound knowledge system, and the Shewart Cycle. He's famous for his ratio that does state that Quality equals the outcome of work efforts over total costs. If a company focused on costs, a challenge will arise where costs will rise as levels of quality will be deteriorating. Deming's profound knowledge system consists of: Understanding how the firms' processes work, Understanding the variations that do occur and why they do, and understanding what can be known and human nature understanding.

The Deming's theory of TQM points are: Creation of a purpose of constancy, new philosophy adoption, halting the dependency on mass inspections, never award business courtesy of price, ensure there is a production system that is continuous and improvement of service, enhanced performance courtesy of the job training, infusing quality in leadership, dismantle fear aspects from the firm, do away with departmental barriers, eliminate work goals that are based on quantity achieved, eliminate use of quotas and standards, encourage pride in craftsmanship, facilitate the training and education process of everyone in the firm and ensure that the firm's top management structure facilitates the other points.

Systems Approach Theory

System Approach Theory is a collection of interrelated parts working together towards a purpose Barnard cited in Schermerhorn (2005). According to the proponents of this theory organizations have been viewed as systems that achieve quality by incorporating the contributions of individuals to accomplish the common purpose through efficient operational performance. The organization management views the human, physical and informational aspects of his/her job as connected in an integrated whole. The management's job is to ensure that all sub-systems of the business institutions are coordinated internally so that the organization can accomplish its goals through operational performance. The Systems Approach recognizes the importance of environment for the organization's sustainability. It depends on the management to choose the management approach that suits him/her in order

to have an effective and efficient organization that performs according to acceptable standards.

It is important to note that no single management approach offers a complete solution and professionals need to use approaches collectively Boddy and Paton (1998). Organization's Management approaches may be productive or unproductive depending upon their application and appropriateness to given circumstances. This theory of quality management has recognized many quality management systems practices such as quality management systems practices which have been documented and empirically analysed in measurement studies and in studies that have investigated the relationship between quality management systems practices and performance. The theory therefore contends that TQM practices are the pivotal pillars in ensuring operational performance of any business entity.

EMPIRICAL REVIEW

Employee Involvement and Performance

By a firm having its employees involved in the TQM implementation process enables her to easily meet the TQM goals. It shouldn't be just involving them, however the firm needs to empower them as they are invited over to the decision making table and the end result of this is a firm benefiting from continuously improving her processes and systems.

Employees usually do have some raw ideas and innovations that if well used by a firm will make the difference between success and failure. By involving employees, their productivity too does improve as a result of their new found motivation to work diligently for the firm, Besterfield, Michina&Sacre (2010). Employees who get involved in the firms TQM processes as a group positively impact on the firm quality drive; this is according to Bilich and Annibal (2000). Though, a firm needs to have formal systems of motivating, monitoring and celebrating their workforce involvement in the quality management processes. If this isn't done, the level and depth of participation declines, resulting in a disoriented workforce.

The firm's management needs to develop an environment that is encouraging employees to get involved in the firm's quality activities. Such an environment should mainly aim at establishing a positive attitude amongst the employees, there should also be communication on what goals are need to be achieved and the goals should mainly address both organization and individual needs, there should also be job performance evaluation, the organization should also make work more interesting and challenging and finally there is a need to recognize top performance and celebrate it, Mann (2009).

Top Management Commitment and Performance

Executive commitment, an open organisation, and employee empowerment, produce significant correlations to financial performance made up of sales, growth, profitability, and revenue growth (Powell, 1995). Top Management in organizations maintains the leadership responsibility for the quality management systems, with involvement of all organizational staffs. This responsibility includes; ensuring the availability of resources to all staff to ensure improved service delivery is achieved for the realization of the organization's vision and

mission. Establishing and reviewing the quality policy and quality objectives quarterly to ensure compliance to the quality standards (Soltani, 2005). McLeod and MacDonell (2011) emphasize the importance of top management in projects as it plays various roles in the organization such as influencing attitudes, encouraging user participation, creating a positive context for change, overseeing the development of the project, managing political conflicts, and ensuring the availability of resources.

Cole and Phil (2011) define leadership as the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives. Such leaders should provide a clear vision of the organization's future and set challenging goals and targets. It is only through unity of purpose and direction of employees that achieves organization's objectives. They should maintain internal environment where people can get fully involved by establishing trust and eliminating fear. It is the role of leadership to define the mission, vision and goals that promote a quality culture and establish a set of shared values, resulting in high performance (Kanji, 2008). Therefore, the need for full commitment of top management should be understood, communicated, implemented and maintained at all levels in the organization. The importance of quality management practices should begin to be emphasized at the top, where serious commitment to performance must be demonstrated through vision framework which comprises the organization's guiding philosophy, core values and beliefs, purpose and mission (Terziovski et al., 2003).

The magnitude of a successful project depends on the level of top management committed. The three main facets of top management support which are crucial in quality management practice and project realization include: showing interest by participating in team meetings, willingness to spend time with people and listen to feedback as well as willing to help resolve problem; providing necessary resources, including training and other crucial resources and Providing leadership by helping to translate plan into action, regular review of project programs and official commissioning of project leaders and project team. The fact that top management are expected to set the overall directions of the project by formally forming an executive steering committee to tract, review and monitor the project progress (Olorunniwo & Udo, 2002).

Continuous Improvement and Performance

The improvement can involve many goals producing products with zero defects or achieving 100 percent customer satisfaction but continuous improvement has the same basic principles irrespective of the set goals (Murphy and Elana, 2006). These principles include: involvement of the company at all levels, find savings by improving existing processes, not by investing more money, gathering data on company operations and quantify that data, which becomes the baseline against which improvements will be measured for continuous improvement (Morgan, 2006).

Continuous improvement most often involves creating a team that includes representatives from all areas of the company. The team first spend time learning about their company and other companies (benchmarking is common during this phase). The necessary quantitative

data is created (McManus, 2009). The team then proposes solutions to management and begins to implement those solutions. When that is achieved, follow-up mechanisms must be put in place that seeks additional improvements as time goes by. The team might change members with the passage of time, but hopefully become an established and accepted part of the company even as its schedule changes. If the plans are executed as planned the team will achieve improved quality as a result of its initial efforts (Kinni and Theodore, 2005). This can attract more employees into this concept which in turn leads to the continued search for more improvements and thus continuous improvements (Joiner and Brian, 2007).

Customer Focus and Performance

According to (Mitchell, 2013), market innovation entails the improvement of market target mix and how the needs in this markets are satisfied in an effort to enhance market potential and develop new ways of serving or operating in the target markets. Market leaders who are skillful are quick to note the unique behaviors of customers such as their buying trends and will establish their preferences. In order to satisfy such preferences, the firm will then need to segment these customers and differentiate product so as to satisfy these customers as closely as possible.

In order, for a business to acquire characteristics that give it an edge over its competitors, research on behaviors and attitudes that derive continuous better performance hence better service to the, (Narver and Slater, 2011). Hult, et al (2004) subsequently established that converting market knowledge into practice in the planning and decision making process will follow automatically. Similarly, cross-functional coordination is defined as the organized utilization of company resources in an operationally competent manner rather than being competent in the market, (Narver, et al. 2011).

RESEARCH METHODOLOGY

Research Design

Descriptive design was used to conduct this study. This type of study attempts to define and describe a subject by creating a problem profile, events or population by collecting data and tabulating their frequencies or interaction, (Mugenda and Mugenda, 2009). The study aimed at collecting data from respondents on their opinions in relation to the effect of TQM on financial performance of commercial banks.

Target Population

The target population of the study consisted of 104 top and middle level managers of Commercial banks in Garissa County, which include Kenya Commercial Bank (48), Equity Bank (32) and National Bank of Kenya (24). This total population of 104 staff was considered appropriate because they were the ones that implemented and enhanced TQM practices.

Sampling Design

The sampling plan describes the sampling unit, sampling frame, sampling procedures and the sample size for the study. According to Mugenda and Mugenda (2003) a sample of 30% is good enough to represent a target population. From the above population of 104 the researcher had a sample of 40% using stratified random sample, thus the study's sample size was 42 staff.

Data Collection

Primary data was used in the study. The data was collected from respondents using closed ended and open ended questionnaire. Drop and pick method was used to administer the questionnaire. Hence each respondent received the same set of questions in exactly the same way. The respondents were made aware of purpose of the research and were assured of their confidentiality. Questionnaires are suitable to obtain important information about the population and are said to reach large number of subject who are able to read and write independently (Orodho, 2004).

Data Analysis

Collected data was chronologically arranged with respect to the questionnaire outline to ensure that the correct code is entered for the correct variable cleaned and tabulated. The tabulated data was analyzed using descriptive, correlation and regression statistics in with the aid of Statistical Package for Social Sciences (SPSS 21.0). Multiple regression statistics was used to establish the relationship between the total quality management practices and performance among Commercial banks in Garissa County, Kenya based on the regression model shown here below:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e$$

Where: Y= Organizational Performance; X1= Employee involvement; X2= Top Management Commitment; X3= Continual improvement; X4= Customer Focus; $\beta_0 \beta_1 \beta_2 \beta_3 \beta_4$ is the coefficient of the variables; e is the error term.

RESEARCH RESULTS

The study revealed that most total management practices employed by the commercial banks in Garissa County were employee involvement, top management commitment, continuous improvement and customer focus. TQM practices are meant to foster performance of commercial banks in Kenya.

The study established that banks had the capacity to satisfy customer needs, embraced continuous improvement process to meet customers' needs and values both internal and external customers with a mean of more than 3.

81% of the banks had a committed top management to ISO QMS standards. The banks had documented QMS that is embraced by every employee at all levels of management, however, the actualization of the system needs to be in place to include and motivate stakeholders.

It was further realized that the banks had developed and published a clear corporate mission, beliefs and objectives to guide in continuous improvement of service quality at a mean of 3.11. However clear strategies to achieve the objectives have not been well formulated and actualized to aid in implementation of TQM practices. The resources to facilitate the practices are not also sufficiently allocated and clear strategies to guide execution have not been developed which has hampered the perk performance of the financial institutions. 69% of the respondents indicated that continuous improvement significantly influenced operational performance of banks.

78% of the respondents indicated that employee empowerment significantly influenced operational performance of banks in Garissa County. The human resource policies in place did not however significantly influence employee involvement nor give authority in decision making, reward, motivation and general employee welfare at a low mean of 2. The banks encouraged career development, objective employee appraisal and gave feedback to encourage employees set their own goals, judge own performance and take full responsibility at a high mean of 3.

REGRESSION ANALYSIS

The researcher conducted multiple regression analysis to establish the influence of total quality management practices on the performance of commercial banks in Garissa County, Kenya. The findings are indicated in subsequent sections;

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.955	0.941	0.838	0.495

The table above indicates the model summary. From the findings, R was 0.955, R square was 0.941 and adjusted R squared was 0.838. An R square of 0.955 implies that 95.5% of changes in performance of commercial banks in Kenya is explained by the independent variables of the study. There are however other factors that influence performance of commercial banks in Garissa County, Kenya that are not included in the model which account for 4.5%. An R of 0.955 on the other hand signifies strong positive correlation between the variables of the study.

Table 2: ANOVA

Model	SS	df	MS	F	Significance
Regression	548.06	6	428.4	626.014	0.0862
Residual	351.21	361	0.950		
Total	899.27	367			

From the ANOVA table above, the value of F calculated is 626.014 while F critical is 479.575. Since the value of F calculated is greater than F critical, the overall regression

model was significant and therefore a reliable indicator of the study findings. In terms of p values, the study indicated 0.000 which is less than 0.05 and therefore statistically significant.

Table 3: Regression Coefficients

Model	Unstandardized coefficients		Standardized Coefficients	t	Sig
	B	Std Error	Beta		
Constant	8.11	0.574		8.012	0.000
Employee involvement	0.621	0.022	0.811	14.15	0.00
Top management commitment	0.476	0.033	0.120	11.04	0.000
Continuous improvement	0.526	0.029	0.127	1.15	0.000
Customer focus	0.660	0.031	0.384	4.42	0.000

The resultant regression equation becomes;

$$Y = 8.11 + 0.621X_1 + 0.476X_2 + 0.526X_3 + 0.660X_4$$

Where: Y is the performance of commercial banks in Garissa County, Kenya; $\beta_0, \beta_1, \beta_2, \beta_3$ and β_4 are the regression coefficients and X_1, X_2, X_3 and X_4 represent employee involvement, top management commitment, continuous improvement and customer focus respectively.

This implies that when all the variables of the study are held constant, performance of commercial banks in Kenya will be at the intercept which is 8.11. A unit improvement in employee involvement while all other factors held constant results in 0.621 increase in performance of the commercial banks, a unit increase in top management commitment with other factors ceteris paribus leads to 0.476 increase in performance of the banks. Similarly a unit increase in continuous improvement while other factor ceteris paribus, translates to a 0.526 increase in performance of commercial banks in Kenya while a unit increase in customer focus with other factors held constant leads to a 0.660 improvement in performance of commercial banks in Garisaa County, Kenya.

CONCLUSIONS

The study concludes that banks embrace good customer service to attract and retain more customers. There is a positive and significant relationship between customer focus, top management commitment, continuous improvement and employee involvement and operational performance of commercial banks. The top management commitment also influences positively on performance but there is need for strategy development and stakeholder involvement to foster performance. The banks have developed continuous improvement clear vision and mission but sufficient resources and strategies to actualize it have not be put in place. The human resource policies are also not friendly to motivate employees and involve them in decision making and appraisal process.

RECOMMENDATIONS

The study recommended that for the commercial banks and financial institutions to perform optimally there is need for improved strategy formulation and implementation geared towards TQM practices. Stakeholder involvement needs also to be enhanced to ensure the employees, customers and other parties in the management and running of commercial banks to assist in improving quality service delivery in the industry. The HR policies needs to be anchored on employee welfare, participation and customer service to motivate the staff towards positive and high output. The study also recommends that TQM practices should be embraced by all the financial industry players to ensure adhered to shareholder requirements and customer needs. For operational performance to improve, there is need for all TQM practices to be intertwined towards improving performance of the employees and as a result organization.

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