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# TQM AND FAMILY OWNED BUSINESS: PERFORMANCE AND SUSTAINABILITY

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## ABSTRACT

*TQM or total quality management is a continuous practicing philosophy that could trace its origin from Feigenbaum in 1951 (Martinez-Lorente et al., 1998) where he defines Total Quality Control (TQC). Whereas Miller et al (2007), summarised the definition of family owned business to be as simple and straight forward as, "one in which multiple members of the same family are involved as major owners or managers, either contemporaneously or over time."). According to Zhang (2000), organizational performance consists of four important dimensions, namely employee satisfaction, customer satisfaction, product quality and strategic business performance. On the other hand, performance could be measured in terms or shareholder returns, growth rate (both profit and revenue), market value of a firm and return on equity etc. It is not easy to single out the growth factor in each enterprise and its driver to assess its performance. In this paper, we assume the firm's performance also implies the growth performance. A better performance of family owned business would be significant as it is widely acknowledged that one of the main objectives of the family owned business is to past down the wealth and business from generation to generation, thus the sustainability objective is of the main agenda for business continuity.*

**Keywords**: Family owned business, TQM, organization performance, sustainability.

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## INTRODUCTION

The search for factors that drive business organizational performance has been one of the key areas where many scholars as well as practitioners have a keen interest and attempts to identify the answer. In the process many answers have been found but many questions just as well have been raised. The truth answers could be as elusive chasing the shadow such as the presence of mediating (for example right strategy and practices) and moderating factors (for example life cycle of organization), or as obvious as everything under the sun such as effective strategy and good management practices. The actual answers are probably lying in the middle.

## TQM

TQM, is widely accepted as a continuous practicing philosophy for the improvement of organization. There were many suggestions to which where the origin of TQM or total quality management came from? Martinez-Lorente *et al*. (1998) believe that we could trace TQM's origin from Feigenbaum in 1951 where he defines Total Quality Control (TQC) as:

"*An effective system for integrating the quality development, quality maintenance and quality improvement efforts of the various groups in an organization so as to enable production and service at the most economical levels which allow for full customer satisfaction*".

In searching for defining the constructs, drivers or dimension to define and the suitable approach toward TQM, many scholars such as by Mehra et al. (2001), Brah *et al*. (2000); and Prajogo and Sohal (2003) have listed out elements such as management structure, (Mehra et al, 2001) quality tools, supplier support, customer orientation and environmental focus; (Brah et al, 2000) top management support, customer focus, employee involvement, employee training, employee empowerment, supplier quality management, process improvement, service design, quality improvement rewards, benchmarking, cleanliness and organization; and (Prajogo and Sohal , 2003) leadership, customer focus, strategic planning, information sharing, process management and human resource focus. In this regards, framework adopted from MBNQA (Malcolm Baldrige National Quality Award), with six TQM constructs for our study (i.e. leadership, strategic planning, customer focus, human resource management, process management and information and analysis) they have been identified as key elements in TQM adoption in both manufacturing and service organizations (e.g. Powell, 1995; Hoang et al., 2006) and at the same time represent the hard and soft principles of TQM discovered in the literature review (e.g. Dale, 1999; Prajogo and Sohal, 2003).

## FAMILY OWNED BUSINESS

The importance and influence of family owned business in the trade and economy has gained attention from various segment of the society. For example, according to the statistics from the Family Enterprise Centre, University of Pittsburgh, it is believed, family owned business make up 50% of the GDP (Gross Domestic Product) in the USA and 60% of the country's employment. (Damast, BusinessWeek 2007). And among the emerging economies, Malaysia as an example, 70% of the public listed in Malaysia is family owned. (Amran and Ahmad, 2010). Furthermore, Ibrahim and Samad (2010) stated that the list of the 40 richest Malaysians in 2008 is mainly from the family based business entity; of which, 27 are family based and account for 67.5% of the top 40.

The contribution towards the society from family owned business also received recognition from the academic circle. For examples, some renowned universities have set up research centres which focus on this area. For example Wharton School with their Wharton Entrepreneurship and Family Business Research Centre, IMD with its IMD Family Business Centre and Australian Centre for Family Business, Bond University just to name a few examples.

Chrisman et al (2005) describe that the definition of family business can be anchored from four corners, (1) family's influence over strategic direction of a firm; (2) the intention of the family to keep control; (3) family firm behavior; and (4) unique inseparable, synergistic resources and capabilities arising from family involvement and interaction. On the other hand, Chua et al (1999) defines family business as " a business governed and managed by with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or small number of families in a manner that is potentially sustainable across generation of the family or families." Chua et al (1999) believe

that the definition should take into account of the behavioral and intention aspect of the business, which is viewed to be different from non-family firms. Similarly, based on extensive literature review, Pramodita (1999) proposed that, family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families. By these definitions, if the intention is clearly to make the said business sustainable across generations, even the businesses that are not owned but managed by a family with the intention of sustainability across generations, fits into this definition. On the other hand, family that owned and managed a business but without the intention of sustainability across generations are being excluded.

**Family Owned Business Performance and Sustainability**

There were many research being carried out to assess the performance of a business organisation. Performance could be measured in terms or shareholder returns, growth rate (both profit and revenue), market value of a firm and return on equity etc. In the family owned respect, based on Chrisman et al (2005), it is the intention of the family owner to past down the business to the next generation. And with this, we infer that the sustainability is one motivation factor for the owner to manage the family owned business well for future succession. For the business to be sustainable and complete with succession, the family owned business has to perform well within the competitive market environment (Statfford et. al 1999, Bocatto, Gispert & Rialp 2010).

There were many arguments over the performance of family owned business especially in terms of comparison with non-family owned firms (Gallo, Tapies and Cappuyns, 2000; Anderson and Reeb, 2003; and Miller et al (2007)). The contradictory results are often due to the sample size, sample definition (mainly due to the definition of what constitute family business), stage of organisation life cycle and size, and share of ownership. More often than not, most research find it difficult to really eliminate the external factors such as industry factor, politics and economics or stock market performance to specifically single out the performance or non-performance was solely due to the family factor (Dyer Jr. 2006). On the other hand, Villalonga and Amit (2004) concluded family firms only create value (performance) when the founder holds the main position such as the CEO or Chairman of the company with hired a CEO. They also specifically pointed out the descendant managed family firms have a tendency to destroy value, thus raised the concern of meaningful succession issues when the firms could not last longer than intended. Meanwhile, in a recent report from Ernst and Young (2012), two third of the respondent in a major worldwide survey on family owned business intends to keep the business across the generations. In the same report, one respondent who owns a major construction company in UK opined that sustainability is about succession (continuity) “Sustainability is a complex term with several different aspects. For a start, it is about succession, which is an almost which is an almost a continuous process for a family firm.”

**The Sustainable Family Business Theoretical Model**

Stafford et. al 1999 proposed a sustainable model that takes into consideration of business success and functionality. The model is summarised below:

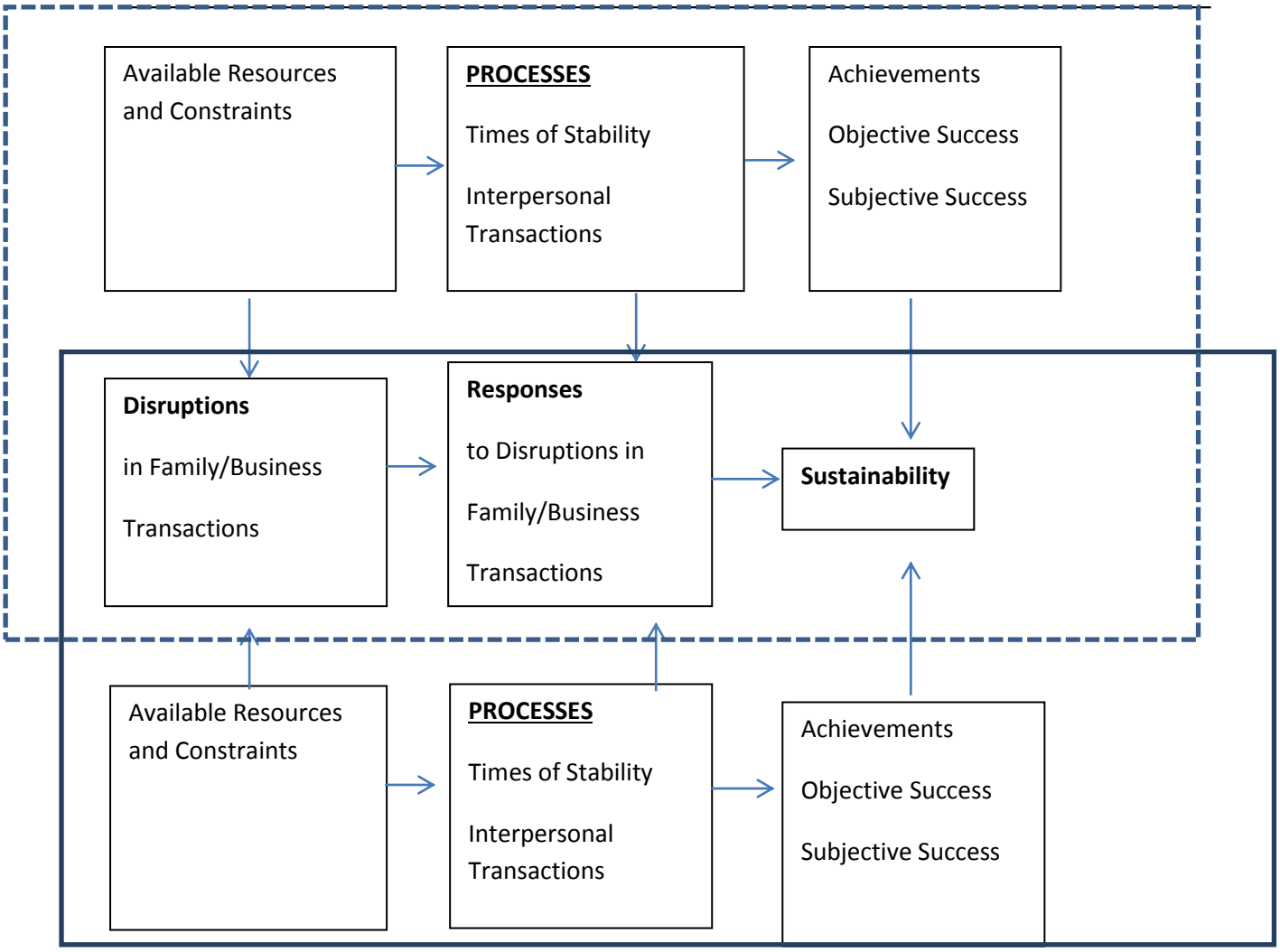


**Figure 1:** Sustainable Family Business Theoretical Diagram Family

The SFBRM (Stafford Family Business Research Model) theory suggests that it is important to take note of the interaction between personal transactions and resources from the business itself or from the family may facilitate or inhibit family sustainability, especially in the event responses to the disruptions internally (managerial business) and externally (environment). The better the family's reaction through the interpersonal process manage the changes and constraints, the better with the sustainability outcome. It is a model that place importance of the family function as well as business factor in terms of sustainability of the business.

## TQM and Family Owned Business Performance

Separately, Tan (2013) has proposed a model showing the relationship between TQM constructs and organizational performance. In the similar context, the organizational context includes family owned business organization.

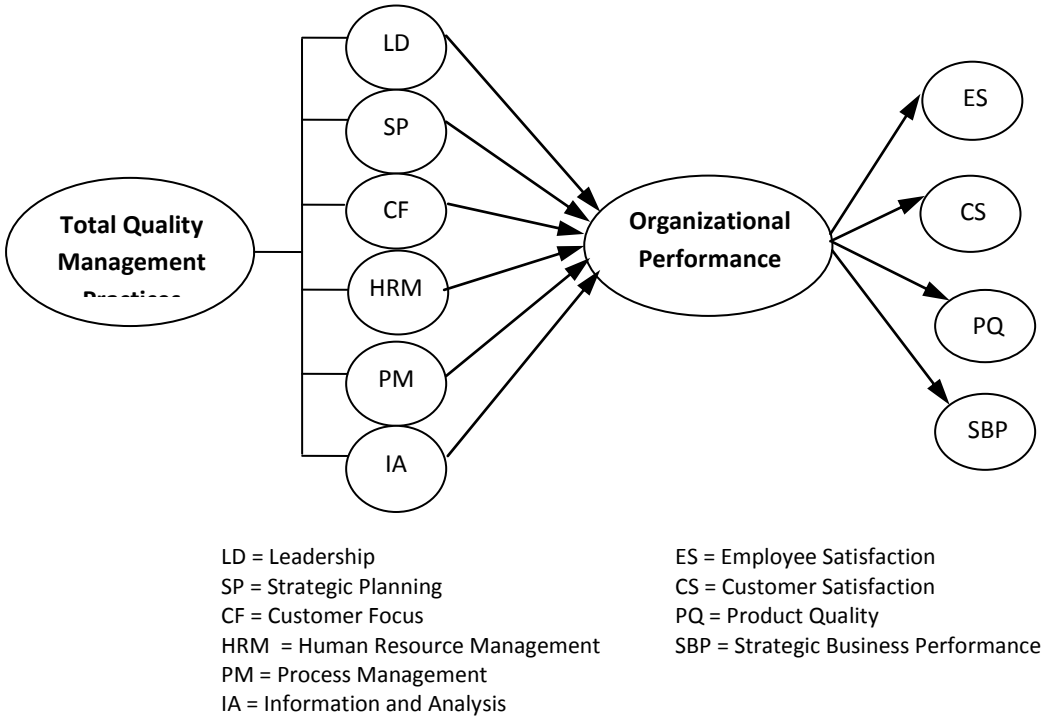


**Figure 2:** Structural Model of TQM Practices and Organizational Performance

In this proposed framework, it is suggested that the identified six constructs namely leadership, strategic planning, customer focus, human resource management, process management and information analysis have an impact on organisational performance which will be reflected or measured through employee satisfaction, customer satisfaction and product quality and strategic business performance. In an earlier study, Ellington, Jones and Deane (1996) have concluded in their study that family owned firms with the highest performance are also found to be adopting TQM more holistically. In a case study on a big family owned supermarket chain in Spain, Miguel (2012) has also concluded TQM approach has helped the firm to achieve spectacular results with profitable growth as well as able to face challenging situation of economic crisis (from 2008 to 2011).

## TQM, PERFORMANCE AND SUSTAINABILITY

From the discussion and literature above, we propose that the following framework for family owned business sustainability with the TQM adoption;

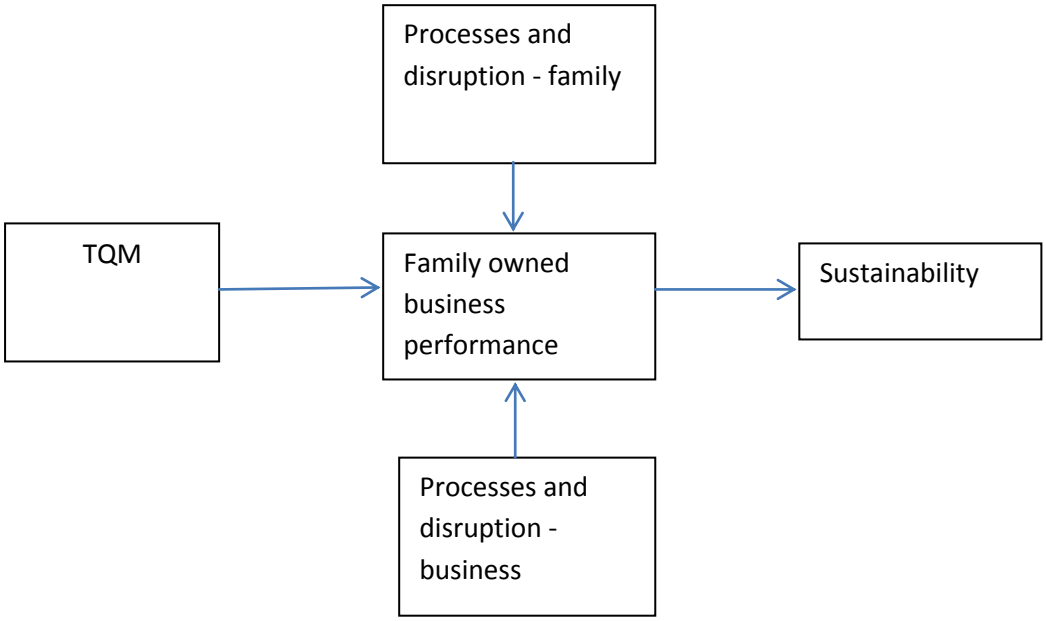


Figure 3: TQM, Family Owned Business Performance and Sustainability

As the family owned business is an entity cannot do without the influence of family element and interact with the resources and constraints in business, the injection of TQM practices to enhance the family owned business performance would provide further avenue for improving the family owned business performance and thus its sustainability. From various research TQM practices are believed to improve the organizational performance

## CONCLUSION

One key differentiation of family owned business from the non-family owned business is the uniqueness of succession plan and its sustainability. This paper proposed a framework and TQM as a management tool to further enhance family owned business performance taking into consideration the interaction of family resources and constraints as well as the business resources and constraints to achieve such unique objective (succession and sustainability through better organizational performance). The proposal from this paper is nevertheless needs to be further researched through proving from empirical research and model validation.

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