Audit Quality and Corporate Governance in India

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ABSTRACT

Corporate governance is one of the crucial elements in monitoring the process of financial reporting system in India. There are three monitoring mechanisms that are used to ensure the credibility of corporate governance, namely, external auditor, an internal auditing and the directorships. Auditing is done to protect the shareholders rights by aligning the interest of management with therm. The position of external auditors has become important after the multiple accounting frauds and failures in India. Therefore audit quality becomes of prime importance after such issues faced by the investors. This article makes an endeavor to understand the relationship between corporate governance, auditing and its structure in India. Also the role of auditors will be studied further along with the reforms in it.

Keywords: Audit quality, external auditors, financial reporting system

INTRODUCTION

Companies are economic entities and are established to earn some profit and wealth in the society. The companies are mainly responsible to the people outside the organization due to which the ownership has been separated from the management. These people outside the organization are called the interest groups and they have substantial interest in the company’s operations. They require accurate information related to the business operations. Such information given to the interest groups are nothing but the financial reports prepared by the companies accounting service. These must be prepared with Generally Accepted Principles (GAAP) which is then inspected by the independent external auditors (Lee, Y. C, 2013). The financial reports are nothing but a faithful representation of the company as it helps them to good investors for their operations. If such information is not correct then it might affect the company’s reputation if the stakeholders of the company get to know about it. The only way to prevent this is by disclosing correct and adequate information to the economic decision makers. Thus, corporate governance mechanisms, independent auditing and audit quality plays an important role in the overall financial reporting. Independent external auditing increases the reliability of financial reporting and quality auditing service make sure that the corporate governance norms are followed properly (Ejeagbasi, G. B., Nweze, A. U., Ezeh, E. C., & Nze, D. O, 2015).The audit committee in the board takes care of the entire audit process, reviews the independence of the audit firm and recommend with reasons the removal and appointment of the external auditors and their annual remuneration. Independent audit is considered one of the control factors for the information disclosure by the management and the company. This research tries to investigate the relationship between audit quality and corporate governance and its provisions in India.

CORPORATE GOVERNANCE IN INDIA

Corporate governance is a system by which the companies are governed. The guidelines ensure that the company is directed and controlled to achieve its goals and benefit the shareholders in the long term. The initiative on corporate governance in India was first taken by the **Confederation of Indian Industry (CII)** by introducing voluntary code of corporate governance for the listed companies, which is also known as **CII Code of desirable corporate governance**. Subsequently, K.M Birla Committee set up by SEBI in year 1999 drafted Clause 49 of Listing Agreements, which added further o the corporate governance provisions in India. It requires all the listed companies to mandatorily mention the provisions of corporate governance in their annual reports.

After several corporate debacles in the USA in 2001, leading to the enactment of Sarbanes Oxley Act, **Naresh Chandra Committee** was appointed by Government of India in 2002, to recommend law pertaining to auditor-client relationships and the role of Independent directors. **N.R Narayana Murthy Committee** was constituted by SEBI in 2003 to review the performance of corporate governance in India and make recommendations. **J.J Irani Committee** was constituted by Government of India in 2004, to look into the suggestions received on the 'concept paper' and provide recommendations on the simplified modern law.
After this came the Indian Companies Act of 2013 which mentioned some progressive and transparent processes that benefit stakeholders, directors as well as the management of the companies. Corporate governance was guided by **Clause 49** of the Listing Agreement before introduction of the Companies Act of 2013. According to the new provision, SEBI has also mentioned some amendments in the Listing Agreements so as to improve the transparency un transactions of the listed companies and giving authority to minority stakeholders in decision making of the management (Narayanaswamy, R., Raghunandan, K., & Rama, D. V, 2015).

AUDIT COMMITEES AND DIRECTORSHIP IN INDIA

India has undergone series of regulatory reforms to improve the corporate governance in the wake of liberalization, privatization and globalization process started in India in 1990s. The major reforms experienced with audit committees were its composition and its authority to execute their decisions. The Clause 49 regulation was first notified in February 2000 which required all the publicly traded companies to compulsory have audit committee and it also specified its role, power and functions. (Hundal, S, 2013)

According to the Clause 49 of the SEBI Act and section 158 of the Companies Bill (2009), all listed companies must have an audit committee with the following characteristics of size and composition:

i. The audit committee shall have minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors;

ii. All members of audit committee shall be financially literate17 and at least one member shall have accounting or related financial management expertise18;

iii. The chairman of the audit committee shall be an independent director;

iv. The chairman of the audit committee shall be present at the Annual General Meeting to answer shareholder queries;

v. The audit committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the audit committee;

vi. The company secretary shall act as the secretary to the committee;

vii. The company is required to disclose the composition of the audit committee in its director's report.

In India, Clause 49 specifies powers that audit committees can seek outside legal advice and other professional expertise, and can also investigate any activity according to its convenience. The principle role of the audit committee is to ensure that the company's financial reporting process is objective, correct and reliable. The audit committees must also provide their recommendations to their respective board for matters relevant to the appointment, re-appointment, replacement or removal of the statutory auditor. They should recommend their boards in matters such as fixing fee of the statutory auditors (audit and non-audit) and approval of all non-audit services contracts.

The audit committee in India can also to review, jointly with the management, the periodic financial statements before they are sent to the board of directors for the approval. They can recommend changes in the accounting policies of the company, post-audit adjustments required to be made in the financial statements, legal and regulatory compliance pertaining to financial statements, audit qualifications, related party transactions, internal audit etc.

The audit committee should also timely communicate with management regarding any fraudulent business practices or failure of internal control systems etc. Even an effective post audit dialogue is required in order to settle issues related to the financial reporting and suggest possible corrective measures in it. (Prasanna, K., Ramanathan)

After the enactment of the Companies Act 2013, the limit for the maximum number of directorships in public companies held by an individual has been raised from 12 to 15 (Mishra, M., & Malhotra, A. K. 2016). The law also states that a director cannot be a member of more than ten committees or chairman of more than five committees, across all the companies in which he is a director.

Such individual when exposed to multiple directorships adds to their monitoring competencies and acts as an indicator of director's reputation and expertise. But on the contrary, it can also

imply paucity of time and may hinder a committee member from discharging his duty effectively leading to a financial statement fraud.
Because of this India law permits an audit committee member to be a member of not more than 10 committees. (Salehi, M., Moradi, M., & Paiydarmanesh, N, 2017)

AUDITOR'S INDEPENDENCE AND AUDIT QUALITY

In professional literature, the audit quality is defined by observing the audit standards. It is also called the possibility of significant errors in the financial statements that the auditor is able to decipher. It is also called the possibility of the auditor for not issuing the conditional report for the financial statements containing errors (Hundal, S, 2013). The audit quality depends on the qualification and expertise of the audit committee members. Such skills and expertise can also contribute to the effectiveness of the audit committee. The increasing complexity of businesses, financial reporting and the audit also directly impact the nature of responsibilities of the audit committee. The collective competence should also be such that it is able to carry out its responsibilities. Their independence from the board and the appointment of a well qualified external auditor is one of the important links for the audit quality. The executive and non-executive directors' ownership have different impact on audit quality (Abdullah, W., Zanani, W., Ismail, I., & Jamaluddin, N, 2008)
The audit committee is directly responsible for the selection, removal and re-appointment of the auditors. It is also responsible for assessing and ensuring the independence of the auditor. The auditors are required to report to the audit committee whenever his or her independence is potentially impaired and to protect its independence.
Also to ensure auditor's independence, the provisions of certain non-audit services are prohibited and approval for certain non-audit services is required from the audit committee.
Audit committees are also responsible for periodical assessment of the auditor's performance and most of them are rated on the effectiveness of the audit process and their experience. (IOSCO Survey) Assessing audit quality is challenge for many firms as the board has limited access to or awareness of the findings of internal quality reviews carried out by the audit firm or the related.
These days audit quality is assessed and measured with the help of the audit quality indicators ("AQIs") developed by some regulators, oversight bodies, professional bodies and audit firms. These indicators help audit committees to objectively evaluate the auditor's performance on audit quality and such AQIs depend upon the subjective factors to be considered by the committee members while evaluating the auditor. The periodic assessment of the auditor by the audit committee helps in reviewing the quality of the audit being produced by the auditor. If such assessment only occurs on a periodic basis, the auditor will pay more attention to quality only at the time of the assessment. In between these periodic assessments, however, the auditor might feel less pressure from audit committees to provide high quality audits. This should be taken care of by the board itself and it requires further research. (IFIAR Audit committee report)

CONCLUSION

The objective of this paper has been to provide information about the current role played by the internal and external auditors, audit committee composition and its role in corporate governance. The paper also raises questions on how the audit committee might play an even greater role in improving the audit quality in future as compared to the compared situation. Also the audit committee practices and their influence on audit quality are further discussed.

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Total Quality Management: An Insight

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Abstract

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. Total Quality is a description of the culture, attitude and organization of a company that strives to provide customers with products and services that satisfy their needs. Continuous improvement is not a fad but a necessary part of management's obligation to properly run its company. Gone are the boom days when quality did not matter due to the volume of work available and the ease of obtaining work.

Keywords: TQM, Quality, Total Quality Management, Organisation

Introduction

Total Quality Management is a management approach that originated in the 1950s and has steadily become more popular since the early 1980s. Total Quality is a description of the culture, attitude and organization of a company that strives 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.

Some of the companies who have implemented TQM include Ford Motor Company, Phillips Semiconductor, SGL Carbon, Motorola and Toyota Motor Company.

In order to comprehend the need for improvement in the construction industry and to better manage our projects and construction companies, we need to look for a method to do so. Construction managers need to improve their performance. Construction costs are becoming far too high. Construction project management is more difficult than it should be. When turnaround at the end of a project becomes a gut-wrenching experience with unnecessary disputes (which must be settled) that arise due to insufficient quality or indifference to quality, settlement by negotiation, arbitration, or even litigation imposes a serious drain on the financial resources of a company and limits profit potential. To be competitive in today's market, it is essential for construction companies to provide more consistent quality and value to their owners/customers. Now is the time to place behind us the old *adversarial* approach to managing construction work. It is time to develop better and more direct relationships with our owners/customers, to initiate more teamwork at the jobsite, and to produce better quality work. Such goals demand that a continuous improvement (CI) process be established within the company in order to provide quality management. Ancient Greeks referred to the concept of continuous improvement as well as the Chinese. Recently CI has been referred to as Total Quality Management (TQM). Whichever name is preferred, the concept must be understood and applied to a firm's operations.

Meeting owner/customer requirements (providing customer satisfaction) is a primary objective of quality management, and contractors who are the suppliers of construction services must address owner/customer requirements if they are to succeed. The construction industry exists to provide a service to its owners/customers who are becoming more demanding and are seeking higher quality, better value, and lower costs. These owner/customer requirements mirror the economic pressures they face in their own businesses. Implementing total quality management / continuous improvement in managing everyday construction activities is relevant to all those who participate in and contribute to the construction process.

What is Total Quality Management?

TQM is a management philosophy, a paradigm, a continuous improvement approach to doing business through a new management model. The TQM philosophy evolved from the continuous improvement philosophy with a focus on *quality* as the main dimension of business. Under TQM, emphasizing the quality of the product or service predominates. TQM expands beyond statistical process control to embrace a wider scope of management activities of how we manage people and organizations by focusing on the entire process, not just simple measurements.

TQM is a comprehensive management system which:

- Focuses on meeting owners'/customers' needs by providing quality services at a cost that provides value to the owners/customers
- Is driven by the quest for continuous improvement in all operations
- Recognizes that everyone in the organization has owners/customers who are either internal or external
- Views an organization as an internal system with a common aim rather than as individual departments acting to maximize their own performances
- Focuses on the *way* tasks are accomplished rather than simply *what* tasks are accomplished
- Emphasizes teamwork and a high level of participation by all employees

TQM beliefs

Presented here are universal total quality management beliefs.

- Owner/customer satisfaction is the measure of quality
- Everyone has owners/customers; everyone is an owner/customer
- Quality improvement must be continuous
- Analyzing the processes used to create products and services is key to quality improvement
- Measurement, a skilled use of analytical tools, and employee involvement are critical sources of quality improvement ideas and innovations

Sustained total quality management is not possible without active, visible, consistent, and enabling leadership by managers at all levels If we do not continuously improve the quality of products and services that we provide our owners/customers, someone else will.haracteristics of Successful TQM Companies

The construction industry has arrived late to TQM, probably due to the tendency to easily brush aside anything in management that is new, or to dismiss TQM as a fad.

Continuous improvement is not a fad but a necessary part of management's obligation to properly run its company. Gone are the boom days when quality did not matter due to the volume of work available and the ease of obtaining work. The attitude of construction managers and contractors was simply to *add it to the bill, because the owner will pay for it*. In other words, in those boom days *Cost plus Profit equaled Price.* Now, however, the new attitude is *Price minus Cost equals Profit*. Owners are now demanding higher quality work, and at a lower cost. In attempting to keep pace with the new attitude, a quality management system that helps keep costs down is well worth implementing.

The characteristics that are common to companies that successfully implement TQM in their daily operations are listed here.

- Strive for owner/customer satisfaction and employee satisfaction
- Strive for accident-free jobsites
- Recognize that the owner/customer provides the revenue while the employees are responsible for the profit
- Recognize the need for measurement and fact-based decision making
- Arrange for employees to become involved in helping the company improve
- Train extensively
- Work hard at improving communication inside and outside the company
- Use teams of employees to improve processes
- Place a strong emphasis on the right kind of leadership, and provide supervisors with a significant amount of leadership training
- Involve subcontractors and suppliers, requiring them to adopt TQM
- Strive for continuous improvement

Quality principles that successful TQM companies recognize

The quality principles that successful TQM companies recognize and attempt to continually incorporate into their actions are the following:

- People will produce quality goods and services when the meaning of quality is expressed daily in their relations with their work, colleagues, and organization.
- Inspection of the *process* is as important as inspection of the *product*. Quality improvement can be achieved *by the workers closest to the process.*
- Each system with a certain degree of complexity has a *probability of variation*, which can be understood by scientific methods.
- Workers work *in* the system to improve the system; *managers work on the system to improve the system.*

- Total quality management is a strategic choice made by top management, and must be *consistently translated* into guidelines provided to the whole organization.
- Envision what you desire to be as an organization, but *start working from where you actually are.*
- Studies have indicated that people like working on a quality-managed jobsite especially due to the cleaner site and safer place to work.
- Accept the responsibility for quality. Establish datums for measurement.
- Use the principle of *get it right, the first time, every time*.
- Understand that quality is a journey, not a destination. It consists of steps that form a process that is continuous.

The goal of management is to create a culture of quality across the entire project site--*get the job done right, the first time, every time*. As in the airline industry where 99-percent quality is not good enough, the construction industry also needs to strive for 100-percent quality. Today, the number of contractors being considered for projects by some owners is growing smaller, and only those contractors who can produce quality work are being asked to bid by these owners. Every effort to incorporate the above principles into the company's actions will further quality production.

Advantages

ISO 9000 have many advantages. It creates more effective operations and helps in increasing the satisfaction and retention of customers. Better and quality products to customers will give profits to the business. Besides satisfaction to customers, it enhances the marketing of the products in the markets.

Proper training and evaluation of the employees helps in the development of motivation and awareness. It will lead to the future development of quality outputs and will create overall growth in the production of goods. Modern practices of management will reduce the wastage of materials and manpower in an organization. Due to this ISO 9000 the organization will import new technology and machinery. The company can maximize the profit.

Criticism

The common criticism found in ISO 9000 is the registration process. It requires lot of time and money and it is a long process. This hampers the quality production of the goods and services. The quality of the employees and staff is not improved.

Another criticism of ISO 9000 is that the lack of motivation from the people. This may result in strike and unemployment. The employees may leave the organization as there will be no proper training and status.

Evaluate the awareness of TQM.

TQM mainly focuses on the customer's needs and wants. In the beginning the organization focuses on customer's attitude which varies from customer to customers and their needs. The quality of products should be based upon customer expectation. The companies now have understood the importance of the customers. The organization has to maintain the customer needs and the good quality of products so as to improve products quality and quantity. Now the evolution of total quality management is of continuous improvement. The continuous improvements are not an easy process in case of the methodology which is help to meet the entire given factors. Total quality management is the integration factor of a business. It provides an excited product to the customer through a process of randomly improvements. Total quality management was first developed by an American management organization to meet the customer's satisfactions and needs. There are seven steps to select a theme, collection of analyze data, analyze the causes, do a plan to help implement solution, evaluate effect, standardize the solution and reflect on process. It provides better salary, job security, good job environment, interesting work and self-development to the employees. Social networks helps in training, national standard certification, and development of new method. TQM helps in product design, managing the processes, total involvement by the customer. This is done to satisfy the customer's needs and wants, employee participation, supplier partnership and continuous improve of product quality.

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Green banking: An Approach Towards Environment Safety & Better Quality of Banking Ecosystem

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Abstract

Green banking is an innovative approach towards achieving the objective of sustainable development of the economies. Most of the times, it is wrongly understood as paperless banking only. But, green banking has a much wider scope. It was introduced in the year 2003 in USA for eliminating the negative effects of banks and financial institutions on the environment. In India, green banking has very limited scope and is confined to online banking only. Green banking is a practice which enables banks to fulfill their social responsibility and helps in maintaining ecological balance in the nature. Green banking helps in lowering the energy cost of the economies. Banks can adopt carbon footprint design for having larger impact of green banking in order to fulfill their corporate social responsibility more effectively. It also helps in improving the quality standards of the banks. At the same time, it involves various risks such as legal risk, credit risk, reputational risk, etc. So, green banking practices must be thoroughly designed and adopted to have maximum benefit at minimum cost from it. Moreover, it has become the need of the hour because of the ever depleting natural resources.

Keywords: Green Banking, Quality, Safety

Introduction

Green banking is always misunderstood in India. It is mostly termed as online banking or paperless banking only. But, in reality green banking has much wider scope. Online banking is just a part of green banking. Green banking is actually that banking which encourages environmental friendly projects along with implementing environmental friendly practices in the banking industry. The banking industry in India does not support carbon trading proposals and the projects which came up with some innovative environmental friendly projects because they fear for its feasibility in the practical business scenario. India needs to work towards implementing the concept of green banking in totality. This will not only helps in saving the environment but will also encourage the new innovative business ideas and will encourage research and development activities in the economy which now-a-days has become a core element in the development of any economy. It will also helps in providing a competitive advantage to the economy.

Concept of Green Banking

Green banking was first introduced in USA in 2003 with aim of eliminating the adverse effect banks and financial institutions have on the environment. Green banking was evolved from the practices and principles laid down in the Equator Principles which was launched in Washington DC on 4 June, 2003 which is a risk management framework (Shetty S., 2017). Green banking helps in the reduction of external carbon emission and internal carbon footprint. Green banking practices adopted by most Indian banks are using environmental friendly practices such as using online banking instead of branch banking, paying bills online instead of mailing them, opening up CDs and money market accounts at online banks, instead of large multi-branch banks, or finding the local bank in the area that is taking the biggest steps to support local green initiatives (Dipika, 2015). So, Indian banks are lagging far behind from its competitors in developed countries.

Green banking helps in lowering the energy cost of the nations as it helps in financing the clean energy solutions that can helps in lowering the energy bills for consumers and businesses with no upfront costs involved. It also helps in creating job opportunities for the skilled manpower of the country. It also helps in increasing the share of private sector in the development of the nation as it is designed to boost private investments and offers green loans at very reasonable rates. It also helps in increasing the goodwill of the banks because it helps in creating an ethical image of the bank in the society. It will also helps in improving the quality of the various functions of the banks and thus, helps in improving the quality standards of the banking industry. But, at the same time green banking involves various risks such as credit risk because it will involve many hidden cost for e.g. cost of implementing green technologies, etc., legal risk if they do not comply with the nation's environment policy, reputation risk if their actions depict the damage on the environment instead of benefit to the environment.

At international levels, there is a growing concern about the role of banking and institutional investors for environmentally responsible/socially responsible investment projects. Banking and other financial institutions are more effective towards achieving this goal for the kind of intermediary role they play in the functioning of any economy and for their potential reach to the number of investors. Environment is no longer the exclusive concern of the government and the direct polluters, but also the other partners and stake- holders in the business like financial institutions such as banking institutions can play a vital role in fostering linkage between economic development and environmental protection. To substantiate, quality of service, the implementation of environmental conservation measures, support to the deprived section of the society, concern about the quality of life and nature are the basic principles that the financial institutions are relying on in their business strategy in recent years.

Conclusion

Commercial banks must finance those projects which involve green technology and pollution reducing projects. Green banking would helps in reducing the costs of the banks and increasing the profits of the banks. This would also helps in completing the corporate social responsibility of the banks and will ultimately helps in increasing the goodwill of the banks and will provide a better future to the banks. If Indian banks wants to establish themselves in the global market and wants to survive in the tough global competition, then they must recognize their environmental and social responsibilities and implement more and more of innovative methods to fulfill their responsibilities and have a competitive edge over and above their competitors. Green banking is a good way in creating awareness among public regarding global warming. This would also helps in fulfilling the objective of sustainability development of the economies. Thus, green banking is a proactive concept and is a smart way of thinking with a vision for future sustainability. So, possible policy measures and initiatives has become the need of the hour in banking sector.

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Role of Human Resource in Implementing Total Quality Management

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Abstract

Improving quality has become an important ingredient for success of company as the increasing globalization in business has necessitate continuous improvement. So companies today are focusing on TQM. TQM is no longer the sole concern of quality engineers, product designers, process engineers and other specialists. The human resource management (HRM) function plays an important role in developing quality across the entire organization.

Keywords: Quality, TQM, HRM

Introduction

Total quality management (TQM), consists of organization-wide efforts to install and make a permanent climate in which an organization continuously improves its ability to deliver high-quality products and services to customers.

TQM principles emphasize:

- Articulation of strategic vision
- Objective and accurate measurements
- Benchmarking
- Widespread employee empowerment and team building
- Striving for continuous improvement
- Emphasis on a systems view of quality that conceptualize quality-related activities as being highly interdependent
- Leadership committed to quality
- Great emphasis on customer satisfaction

TQM is no longer the sole concern of quality engineers, product designers, process engineers and other specialists. The human resource management (HRM) function plays an important role in developing quality across the entire organization. HRM needs to act as the pivotal change agent necessary for the successful implementation of TQM. The HRM department can jumpstart the TQM process by serving as a role model through the performance of two vital tasks: providing customer-oriented service and contributing to the running of the business. HRM needs to promote TQM by integrating the process into such HR functions as recruitment and selection, training and development, performance evaluation and reward systems.

The Role of HRM in Instituting a TQM Culture:

Human resource management can plan a vital role in implementing and maintaining a total quality management process. HR managers are responsible for recruiting high-quality employees, the continual training and development of those employees, and the creation and maintenance of reward systems. Thus, TQM controls processes that are central to achieving the dramatic cultural changes often required for TQM to succeed. Tailoring the TQM cultural development program to the firm's circumstances is essential in overcoming resistance to change and moving beyond simple compliance toward a total commitment to TQM.

TQM and Training and Development.

In general, HRM is responsible for providing training and development. With their background, HR departments are well-positioned to take the leading role in providing such programs consistent with the TQM philosophy. HR managers have an important opportunity to communicate a history of their organization's TQM program and its champions. Equally important, HRM can tell stories of employees who are currently inspiring the TQM philosophy. As corporate historian, the HR department should be primarily responsible for relaying the TQM culture to members of the organization in employee orientation training. Beyond communicating the TQM philosophy, the specific training and development needs for making TQM a practical reality must be assessed.

TQM and Recruitment and Selection.

HRM's responsibility in implementing TQM should extend beyond the training and development of existing employees. HRM must take the lead in attracting, retaining and motivating a high quality work force. Successful recruitment and selection of employees with the proper knowledge, skills, abilities, and attitudes compatible with a TQM philosophy can be a driving force supporting continued program effectiveness. In recruiting for all departments and for all organizational levels, the HR department can identify people who will promote the TQM philosophy. Candidate qualities to target in recruiting include a willingness to receive new training and to expand job roles, to try new ideas and problem-solving techniques, to work patiently in teams within and across departments, and to be enough of a team player to be evaluated and rewarded on a team basis.

TQM and Performance Evaluation and Reward Structures.

Another of the fundamental influences HRM can have on the TQM process is in the development of performance evaluation and reward systems that reinforce the TQM team philosophy. These systems can be conceived of and patterned to be consistent with the fundamental tenets of a TQM culture regarding customer satisfaction.

In addition, HRM can have a great deal of influence in developing promotion policies that are consistent with the overall goals of the organization. In so doing, HRM can be instrumental in the promotion of employees who believe in and totally support the TQM philosophy, to positions of influence.

With patient senior management and much training, quality improvement teams frequently move toward self-managed teams. For these mature teams, one type of performance evaluation system that is consistent with TQM philosophy and participatory management approach is team appraisal. Such appraisals, which may include self-evaluations and peer ratings, concentrate on the acquisition of new team skills and on their successful application on the job.

The HR department has the ability to help design the evaluation system so that quality improvement teams conduct performance appraisals of one another, interview and select team members, schedule the team's work, and set performance goals. As a follow-up, peer evaluations by the team members can be reviewed by the team chairperson or an HR specialist so that the evaluations are reliable and contain no unnecessary harsh language.

In rewarding team efforts for quality improvement, HR managers can keep both management and employees informed about TQM achievements and can identify opportunities to feature outstanding accomplishments of team members who deserve recognition and rewards. Many companies publish TQM newsletters that recognize team achievements and feature customer council meetings, future training schedules, and other pertinent information

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Total Quality Management (TQM) in Education

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Abstract

A comprehensive, dynamic and responsive system of teacher education needs to be continually evolved keeping the overall scenario in view. Teacher education institutes have a vital role in improving the standards of the system of education by preparing competent and effective teachers. After independence, strenuous efforts have been seriously and continuously made for expansion of qualitative improvement of teacher education. Various benefits of implementing Total Quality Management (TQM) in education and some of them are 1. It enhances the morale of the teacher educator and other employees working in the teacher – training institutions. 2. The involvement in decision – making process by all employees will change in values and attitudes of everyone involved. 3. It stress on teamwork and encourages effective participation of the employees.

Keywords: TQM, Education Quality, Teaching

Introduction

Total Quality Management (TQM) requires a change in culture of teaching and associate working along them. It needs a change of attitudes and working methods. Implementing of total quality management requires coping with change in a positive and constructive manner. A comprehensive, dynamic and responsive system of teacher education needs to be continually evolved keeping the overall scenario in view. Teacher education institutes have a vital role in improving the standards of the system of education by preparing competent and effective teachers. After independence, strenuous efforts have been seriously and continuously made for expansion of qualitative improvement of teacher education.

According to Dr.Shashi Taroor Former UN member said,"India is entering the global Employment marketplace with a self imposed of handicap of which we are just beginning to become conscious- an acute shortage of quality institutions of higher education. For far too long we have been complacent of the fact that we have produced since the 1960's the world's largest pool of trained scientists' and engineers". According to Montek Singh Ahluwalia former DeputyChairman,Planning Commission," Education should also be autonomous and free from politics. The modernization of the curriculum and skilled personnel in the profession would help India to achieve set goals. Better qualified should come to the noble profession in teaching to develop innovative mechanisms in Indian education system."

The concept of Total Quality Management was first introduced in 1920s when the statistical approach was first used in quality control in factories of America; at the same time the teaching system was also introduced with TQM. For the qualitative improvement of education in general teaching and teacher education, various committees and commissions were formed. The Kothari Commission(1964-66) which extensively dealt with all aspects of quality education which is worth mentioning. Any countries' sustainable development depends on the quality of its teachers and its teaching patterns. According to Kothari commission , "A sound programme of professional education of a teacher is essential for the quality improvement of education." Preparation of qualified and capable teaching personnel is one of the most significant functions of all teacher education institutions. Realizing this fact the National Policy on Education (1986) took place, it showed complete trust in the teaching community and has suggested a variety of steps to improve the status of teachers with effective accountability. The Quality of teacher education is an integral part of the quality of education system. It emphasized that the essence of teacher education is quality and in its absence, teacher education becomes not only a financial waste but also a source of overall deterioration in educational standards.

Mahatma Gandhi describes education as "an all round drawing out of the best in child and man – body, mind and spirit." The Rig-Veda regards education as a force, which makes an individual self reliant as well as selfless.According to Rabindranath Tagore education should help the individual child to realize the essential unit of man and his relationship with Universe and an education for fullness. Plato said ' education should enable one to attain the highest good or God, through pursuit of inherent spiritual values of truth, beauty and goodness'. Aristotle said education exists exclusively to develop man's intellectual in a world of reality, which man can know and understand. Education in ancient India was highly advanced as evident from the centres of learning that existed in the Buddhist monasteries of the 7th century BC up to the 3rd century AD Nalanda (Perkin, 2006). In these centres, gathering of scholars-- Gurukula-- used to be engaged in intellectual debates. A few of these centres were large and had several faculties. The ancient education system in India slowly got extinguished following invasions and disorder in the country.

There are various benefits of implementing Total Quality Management (TQM) in education:

1. It enhances the morale of the teacher educator and other employees working in the teacher – training institutions.

2. The involvement in decision – making process by all employees will change in values and attitudes of everyone involved.

3. It stress on teamwork and encourages effective participation of the employees.

4. This process is reviewed periodically which helps to provide better use of resources

5. It increases efficiency and effectiveness, which ultimately saves time and money.

NAAC, (2004) was formed to assess the quality of teacher education institutions, it has identified several indicators for quality teacher education. The NCTE gave the nation a curriculum framework for quality teacher education in 1998.

In fact, there are no accepted methods for measuring teaching quality but there is need to develop a team of students and teacher coordination for better education quality. The most currently used quality initiatives aim to enhance teamwork between teachers, goal-setting and course plans. However scholars have developed holistic theoretical models for quality teaching. In order to enhance student learning, the focus of quality teaching initiatives should not always be on the teacher. Rather the whole education system should encompass the learning environment. TQM should be however, make a culture and mission statement for department related to educational support divisions and that of the central university. If there is a discrepancy in performance and appropriate expectations, then it must be investigated and appropriate corrective action should be taken.

Conclusion

The impetus for improving Quality of higher education and scrutiny by the accreditation agencies and the corporate employers is gaining momentum in India. There are many important Quality management tools and techniques, fully tried out in the industry, which could be adopted in the field of education, to diagnose a system and identify potentials for improvement. Now people have started realising that there is no other activity that promises more leverage in the improvement of society than the development of a generation that understands Quality and remains equipped to improve it.

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Total Quality Management and Its Impact on Financial Performance

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Abstract

Total Quality Management (TQM) has been one of the most popular management philosophies of the last two decades. The question of whether an adoption of total quality management (TQM) improves the financial performance has been discussed for several years. Various studies have been conducted to examine the impact of TQM on financial performance; many have questioned whether TQM programs actually translate into bottom-line results.

Keywords: Total quality management, Quality, Financial performance.

Introduction

TQM is a management approach that seeks to increase profitability by improving quality and increasing customer satisfaction, while promoting the well being and growth of the employees of the organization.

"Total Quality Management (TQM) is an approach to improving the effectiveness and flexibility of business as a whole. It is essentially a way of organising and involving the whole organization, every department every activity, every single person at every level."

—Oakland

It seems logical that improving the quality of a product or a business process would improve the financial performance of a firm. As our analysis shows, this may not always be the case.

Total Quality Management (TQM) is one of the most popular management philosophies in practice today. One survey found that over 74% of manufacturing firms have tried to implement a TQM program, with varying results (Conference Board, 1989). Some firms, such as Motorola, Harley-Davidson, Xerox, and Intel, have used TQM to become leaders in their fields. Other firms, however, have reported that their TQM initiatives have not significantly reduced costs, improved their financial standing, or increased quality (Sharman, 1992; "The Straining of Quality," 1992; Jacob, 1993; Eskildson, 1994; Wiggins, 1995). Some scholars (Collier, 1992; Garvin, 1991) have pointed out that TQM does not analyze other areas of a firm that are vital to its financial success, such as marketing, research and development, and financial management. Since TQM does not score the financial structure of the organization, it is conceivable that a company may have a world-class quality system and even win the Baldrige Award, yet its decisions on how to finance the company could lead to its financial ruin.

Some companies improve their business processes, but they don't use those improvements to either grow revenue or reduce costs. In other words, they don't go far enough in their TQM programs in order to link process improvements to improvements in financial performance. For example, a firm can reduce the number of defects, improve quality, and improve on-time delivery, but if they fail to leverage the improved quality or the enhanced capacity to sell products to new customers, or if they do not release any new products to market, those process improvements will fail to produce the kind of financial success demanded by the capital market.

The study of research scholars conclude that the most popular TQM programmes used by most listed manufacturing firms are: ISO 9000 and continuous improvements. All the listed manufacturing firms comply with ISO 9000 this implies that most manufacturing firms were ISO certified. The findings also revealed that most manufacturing firms adopted integrated management systems to enhance information sharing; this contributed to cost reduction and thus improved financial performance of manufacturing firms. The regression results also conclude that benchmarking practices and continuous improvement were statistically significant in the model. This conclusion is consistent with the findings of Samson & Terziovski (1999) who conclude that benchmarking practices and continuous improvement contributed to improved organizational Firms successfully implementing TQM must, by definition, demonstrate improvements in management of processes and people, supplier relationship, or organization structure. It is reasonable to recommend that both practitioners and theorists pay better attention to the need to strengthen the link between TQM investments and the organization's critical financial returns

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