Total Quality Control (TQC) and Job Performance in Lebanese Insurance Agencies

Nouri Beyrouti, Hussin J. Hejase, and Nadim Damiani
Business School, Lebanese American University

Abstract

The concept of total quality control has been adopted by several multinational companies in the world. Due to the increased competition, managers are working hard to achieve quality and provide excellent service in order to reach customer satisfaction. Because of the importance of satisfying customers, companies need to develop and implement their reputation in the community at large.

The purpose of this paper is to shed light and identify possible weaknesses of a sample of Lebanese Insurance Agencies in their application of total quality control. Moreover, several recommendations are presented to remedy them. The main focus of this work is to analyze weaknesses and offer adequate corrective measures in order to improve job performance.

Introduction

The term total quality control (TQC) originated in the United States in the mid-to late 1950’s. It had its origins in mass production and Scientific Management concepts, also labeled Taylorism, and its roots in the Ford Motor Company with the introduction of the moving track (Hutchins, 1992, p. 172). The main purpose of quality control was how to eliminate production defects in manufacturing. The 1980s saw a revolution in both, the management’s philosophies and the technologies by which production is carried out. Concepts such as like Just-in-time (JIT) were introduced by the Japanese whose purpose was to increase production with minimum use of inventories and at the same time with lowest amounts of defects. However, the duality of JIT and TQC formed since then a major cornerstone in the production and service practices around the globe (Chase et. al, 1998, p.16).

The development of quality control witnessed major changes in the approach to quality control work. The first step in the development of the quality field initiated with operator quality control was inherent in the manufacturing job up to the end of the nineteenth century (Feigenbaum, 1991, p.164). In the early 1900’s, the progress was to foreman quality control. But during World War I, the manufacturing system became more complex which initiated what was called inspection quality control. During World War II, and due to the tremendous mass production requirements, statistical quality control from the statistical techniques was implemented. But recommendations resulting from the statistical techniques often could not be handled by existing decision – making structures which initiated the need for the creation of total quality control.

Control is defined as a process for delegating responsibility and authority for a management activity while retaining the means for assuring satisfactory results (Feigenbaum, 1991, p.10). Managerial control comes at the end of a chain of the other major functions of planning, organizing, and leading. If these functions work well, control tends to work well. When they
don’t, control can become a major headache for a manager. There are three elements of operational control involved in any type of service or good production in an organization: (Black and Porter, 2000, p.496)

1. Pre-control of operations: focuses on the quality, quantity, and characteristics of the inputs into the transformation process,
2. Concurrent control: evaluates the conversion of inputs to outputs while it is happening, and
3. Post-control: compare results after final action to a standard of desired results.

In order to achieve control, four steps must be undertaken: (Black and Porter, 2000, pp.478-484)

1. Establishing standards: the objective of control is to achieve goals set by management. Hence, standards, which are units of measurement, are necessary to judge how well results fulfill these goals. Some standards are concrete such as number of products, hours worked and number of clients seen. Other standards are intangible like job satisfaction which can be measured indirectly by the use of questionnaires.
2. Measuring performance: is the measurement of the actions of people and equipment that the organization wants to monitor. Here, agreed upon quantifiable criteria is set and are comprehensive.
3. Comparing performance against standards: performance results are compared against standards that involve steering control. This allows detection of deviations while the operation is in progress. Data collected on results is arranged into a scale of performance which is compared with the data of the control standards.
4. Evaluation of results and action (Correction of deviations): this process includes both a decision-making and an action-taking phase. First, a decision is made on what the problem is, separating symptoms from causes. Second, corrective action is initiated from redrawing plans, modifying the objectives, and adjusting standards. Third, and after corrective action is taken, new forecasts of expected results should be made.

One of the most important types of control is quality control. It is defined as the collective term for in process activities and techniques intended to create specific quality characteristics (Johnson, 1993, p23). These activities include monitoring, reduction of variations, elimination of known causes, and efforts to increase economic effectiveness.

**Difference between Classical and Total Quality Control**

Classical control represents the past trends of American management, where specialization and division of labor were emphasized. Instead of working together to solve any deviations from the plan, time was spent arguing over who is responsible for the deviation. This sectionalism, as the Japanese refer to it, hinders collective efforts to improve the way things are done and lowers national productivity and the standards of living. Whereas, the Total Quality Control, is represented by the PDCA (plan-do-check-act) continuous improvement cycle. This cycle is used by the Japanese to describe the cycle of control. “There need be nothing threatening about control if it is perceived as exercised in order to gather the facts necessary to make plans and take action toward making improvements.” (Lindsay and Petrick, 1997, p.59)
Factors influencing quality control

The dynamics and complexity of the contemporary customer requirements abound and they influence tremendously all aspects of the organization. Therefore, special consideration is made to identify all possible factors that may impact quality characteristics and standards within an organization. Since Feigenbaum believed that quality is an organization-wide philosophy and complementing this view with strategic planning considerations, our view to quality control is influenced by the synergy concept that defines total organization involvement and performance.

According to Feigenbaum (1991), there are nine factors that influence quality control, these are shown in Exhibit 1. (Feigenbaum, 1991, p.59-61)

Exhibit 1. Factors affecting quality control in an organization
(Original factors from Feigenbaum, 1991, p.59-61, then modified by the authors to reflect contemporary environments).

| 1. Markets | The number of new products offered in the market place has grown continuously accompanied by ever changing new technologies and methods of manufacturing. Consumers are more sophisticated as a result of higher specialization in the goods and services offered. Moreover, markets have no borders and much broader in scope leading businesses to be highly flexible and able to change direction rapidly. |
| 2. Money | The increase of competition led many organizations to invest more in automation technology. This fact increased quality costs and made managers to focus on the quality-cost area as one of the “soft spots” in which its operating costs and losses can be decreased to improve profits. The early efforts to increase in plant investment, financed through increased productivity, has made losses in production extremely serious. |
| 3. Management | Responsibility for quality has become a cross-functional and distributed effort among several groups, from engineering to marketing, manufacturing, and service. For example, new operations management schemes involve many parties within and outside the organization. |
| 4. Labor | The rapid growth in technical knowledge and the creation of new fields require workers with a high specialization. This situation has created the need for hybrid knowledge workers who can integrate the work of the different fields in order to reach the desired level of quality. |
| 5. Motivation | The complexity of producing quality products has magnified the need for quality contribution from every employee. In addition to monetary reward, workers need to feel a sense of accomplishment in their jobs. This led management to intensify training in quality education and improve communication of quality consciousness. |
| 6. Materials | Looking at production costs and quality requirements, the new materials used are intended for special applications. Chemical and physical measurements must be made using highly specialized laboratory machines in order to control quality. |
| 7. Machines, mechanization and automation | The demand of companies to get cost reductions and production volume to satisfy consumer’s needs has forced the use of more complex manufacturing equipment. But mechanization and automation make good quality critical because reducing cost may not raise worker and machine utilization to satisfactory values. |
| 8. Modern information systems | The new and constantly improving methods of data processing provide the means for an unprecedented level of control of machines and manufacturing processes as well as control of products and services even after they have reached the customer. Management can obtain far more useful, accurate, timely and predictive information upon which to base the decisions concerning the business. |
| 9. Mounting product requirements | Increased complexity and higher performance requirements for products intensified the importance of product safety and reliability. Management must give attention to make sure that no factors enter the process to decrease the reliability of components or systems. |
Feigenbaum stated that total quality control is an effective system for integrating the quality-development, quality maintenance, and quality-improvement efforts of the various groups in an organization (Feigenbaum, 1991, p.6). This way the different functional departments are enabled and customer satisfaction is assured at every level or stage, internally or externally.

**Why total quality control concept is adopted**

Ishikawa has stated that multinational companies have adopted total quality control for the following purposes:

1. Improving the corporate health and character of the company
2. Establishing a cooperative system by combining the efforts of all employees and achieving participation by all
3. Establishing the quality assurance system and obtaining the confidence of customers and consumers
4. Developing new products for the purpose of achieving the best possible quality in the world
5. Establishing a management system capable of securing profits in times of recession
6. Showing respect for humanity by considering employees welfare
7. Utilization of quality control statistical techniques.  
(Ishikawa, 1985, p.95-97)

Total quality control includes not only the activities of the quality control function but most importantly the interdependent multifunctional quality activities throughout the organization. From here, the more general outlook to quality leads to total quality management. According to the Total Quality Forum (1992), “total quality is a total system approach, and an integral part of high level strategy. It works horizontally across functions and departments, involving all employees, top to bottom, and extends backwards and forwards to include the supply chain and the customer chain.”

This involves the implementation of the customer oriented quality activities as an essential responsibility of general management and the operations of the various departments. Total quality management is a strategic set of processes that enhances a company’s competitive advantages, leads to continuously improving products and services and results in loyal customers (Cortada, 1993, p.18). It involves a unique set of organizing principles, new functions for top management, and employees and a series of practices and techniques for the implementation of these principles (Hunt, 1993, p.15).

**Ways for achieving commitment to total quality control**

Among the areas fundamental to the achievement of quality commitment is that of quality education. Feigenbaum defines quality education as “the development for company personnel in all functions and at all levels-of those attitudes, that knowledge, and those skills in quality which may contribute to company products at minimum cost consistent with full customer satisfaction.” (Feigenbaum, 1991, p.201)

Quality education is a process that takes many forms. Formal training for personnel, in modern quality problems and-control techniques, concentrates on the development of job knowledge and skills that are requirement for designing, building and maintaining good quality. Informal training is concerned with on- the job-day-by-day influences of experience, contacts and exposure.
The range covered by quality-control training programs include the following activities (Feigenbaum, 1991, p.215-216):

1. A brief and general course for first-line supervision in modern methods of planning and controlling quality.
2. A general orientation discussion for middle-and upper management levels concentrating on total quality control as a management planning and control technique as well as on the financial aspects of quality.
3. Orientation training in quality for new company employees.
4. A brief visual presentation of some of the machine and assembly aspects of quality control.
5. A course in the practice of quality control techniques for inspectors, testers, selected supervisors and others whose daily work requires new and better training in quality.
6. A course in the technologies and statistical methodology of total quality control.
7. Detailed training courses for persons who are many become full time members of the quality control organization in areas such as metrology, non-destructive testing, data handling, computers, auditing and so on.

Moreover, the energy generated through constant education and retraining develops the experts in the affected business. The overall awareness within an organization leads to a better diffusion of the vision to attain organizational synergy at the end.

**Key approaches to total involvement**

For a quality control program to be successful, employee participation is very crucial. Among the key approaches to employee group involvement, two areas will be discussed:

**A. Quality circles**

There are no formal rules governing the size of a quality circle. Membership usually varies from three to fifteen people, with an average seven to eight (Oakland, 1994, p.314). Other researchers mention a membership group of 8 to 12 employees who meet periodically to discuss different methods to increase productivity (Cherrington, 1991, p.98-99). Usually, the group meets one hour each week and the discussion is led by a supervisor. The purposes of the quality circles are to identify, examine, analyze and solve problems related to quality, productivity, safety and others, as well as to improve communication between management and employees. Moreover, quality circles improve employees’ level of morale and commitment to their work and satisfaction with the company.

Kaoru Ishikawa defines quality control circles as a small group who performs quality control activities voluntarily within the same workshop (Ishikawa, 1985, p.139). Oakland (1994, p.311) adds more features to the group like being voluntarily, regularly, in normal working time, and under the leadership of a supervisor. Furthermore, Ishikawa mentions that the basic ideas behind quality control circle activities are the following:

1. Contribution to the improvement and development of the enterprise.
2. Respect of humanity and build a worthwhile-to-live-in, happy, and bright workshop.
Moreover, the following items are useful guides in conducting quality control circle activities: self-development, voluntarism, group activity, participation by all employees, utilization of quality control techniques activities closely connected with the work place, vitality and continuity in quality control activities, mutual development, originality and creativity, and awareness of quality, of problems, and of improvement.

B. Quality of working life

It is intended to change the traditional or routine methods of working by bringing together employees with supervisors and managers in order to figure out means to improve overall quality of working life (Cherrington, 1991, pp.97-98). Quality of working life programs are based upon the principle that commitment to quality is achieved more naturally in cases where employees are involved in decisions which directly affect their work. For example, employees are provided with information, which usually concerns management only, such as strategic goals and productivity indices. In order to achieve widespread quality control commitment Feigenbaum addressed four steps as observed in Exhibit 2.

Exhibit 2. Four steps toward quality control commitment

1. **Introduction of program by top management**: a total quality control program must be properly presented in order to prevent personnel resistance. Top management has to provide personnel with information on the procedures and objectives of the program by holding a “full dress” promotional meeting. During the meeting, top management announces the selection of the leadership of the program, preferring an individual who is already a member of the organization.

2. **A step-by-step beginning**: when the actual initiation of the new company quality activities is coordinated systematically, it is more likely to develop smoothly. In parallel with the ongoing development of the program, attention may also be concentrated toward handling particularly troublesome quality problem.

3. **Tangible results**: since growth of the quality control program depends on the results it produces it is necessary to establish adequate means for reporting these results. The quality control manager is responsible for providing management and other personnel with periodic reports, pointing out that these results are a result of the corporate efforts of several functional groups and individuals. Most of the reported results are intangibles. But the most effective results are those which can be measured against the tangible measuring stick of dollars-and cents savings like quality cost savings.

4. **Communication and participation**: development of a real feeling of quality responsibility among all members of the organization is essential to quality commitment. Management must communicate quality objectives to all personnel through plant newspaper, special quality-control publicity releases, meetings with employees, quality cartoons presentations, discussions and sound or slide films on quality. Employees are also encouraged to participate in actual quality activities by establishing shop quality committees and two-way quality activities by establishing shop quality committees and two-way discussions between employees and supervisors.
Benchmarks for successful application of total quality control

For a total quality control program to succeed, ten benchmarks must be considered (Feigenbaum, 1991, p.828-829).

1. Quality is a company-wide process. Quality is customer-connected process that must be implemented throughout the overall operation of the company and not through the operation of a single department.

2. Quality is what the customer says it is. The customer or end user judges the quality of the product and not the engineer or the merchant.

3. Quality and cost are a sum not a difference. In order for quality to yield higher return on investment by making products better, management must identify quality cost.

4. Quality requires both individual and team work zealotry. Organizing the quality work of individuals as well as of the quality teamwork among departments is essential for the success of quality programs.

5. Quality is a way of managing. Good management enables the individual worker to implement his quality knowledge, skills and attitudes in the organization knowing that making quality right makes everything else in the company right.

6. Quality and innovation are mutually dependent. The key to successful new product launched is to make quality the partner of product development from the beginning.

7. Quality is an ethic. Human emotional motivation must be built. It is the basic driver in true quality leadership. Quality programs which are based only on statistics always fail.

8. Quality requires continues improvement. Quality is a constantly upward moving target. Continuous improvement is an integral component of a quality program which requires help, participation, and involvement from all the company’s personnel and suppliers.

9. Quality is the most cost-effective, least capital-intensive route to productivity. Some of the strongest companies in the world have blindsided competition by eliminating the part of the company which exists because of bad work. They started implementing the quality productivity concept and backed it with the application of a wide range of new and existing quality technology.

10. Quality is implemented with a total system connected with customers and suppliers. What differentiates the quality leaders from the followers is quality discipline and clear quality work processes to which men and women throughout the organization are committed to its implementation.

Total Quality Control: motivation and performance.

For quality control activities to succeed, motivating employees is very crucial. In the United States and Western Europe, employees are motivated through a pay system based on efficiency and performances and not seniority and ranking. But motivating people by money alone is not enough. Joy, desire and pleasure which lead to satisfaction have many different dimensions. Let us analyze the following:
1. Monetary desires fill the following basic needs:
   a. The minimum conditions for survival.
   b. Man’s quest for wealth.
   c. Material satisfaction.

2. The satisfaction of doing a job well. This includes:
   a. The joy of completing a project or reaching a goal.
   b. The joy of climbing a mountain because it is there.

3. The happiness from cooperating with others and from being recognized by others.
   This means:
   a. To be recognized by others.
   b. To work with others in a group such as quality control circle and
   c. Interact with others with friendship and love.
   d. To be a respected member of good industry, of a good work place.

4. The joy of personal growth. This includes:
   a. Experiencing the satisfaction which comes from being
      able to utilize one’s own abilities to the fullest and
      from growing as a person.
   b. Having self-confidence and becoming self-fulfilled.
   c. Using one’s own brains working voluntarily, and in
      this way contributing to society.

The appraisal of performance has shifted from individuals to processes performance.
Actual case studies prove that it is more effective to measure processes and then measure
the results of processes to know how additional progress can be made. Quality based
performance plans focus on helping people to do better through team work which focuses
on customer-oriented tasks rather than on inward-looking bureaucracies. In addition to
teaming and proper performance and appraisal processes, other processes are needed to
create the effective employee. These include: (Cortada, 1992, p.133-148)

1. Skills development process. An effective skills process is organized and cost
effective. It has three basic features:
   a. A written development plan stating the skills that should be developed over a
      certain period of time and the way to achieve this plan
   b. The development plan is reviewed periodically and executed accordingly
   c. The development plan should be tied to the needs of the business

2. Recognition process. It represents one of the most exciting new areas of quality
   improvement. Recognition systems reward what organizations value most and they
   represent a form of feedback on employee performance. Recognition comes in a
   variety of ways which include personal awards, sales contests, benefits, commissions,
incentive payments, peer-to-peer recognition and feedback from customers.

3. Suggestion process. Suggestion programs work on the assumption that employees
   have good ideas about how to improve the business. They are treated as a process for
   continuous improvement, and past experience has shown that they can have
   spectacular results. In order to get meaningful suggestions for improvements, the
   following should be considered: employee participation, recognition, management
   participation, types accepted, feedback and job focus.
Need of this study

A large amount of insurance organizations have been practicing within the boundaries of Lebanon. However, the aggressiveness of the external environment forces couples with the throat cutting competition between Lebanese organizations have developed an emergent need to consolidate the organization’s internal environment by adopting more efficient policies through new management approaches, new technologies, or restructuring.

Many of the larger insurance companies and agencies have decided to adopt TQM concepts and tools for the sake of building on their efficiencies and internal management systems. The purpose is to develop further their competencies for the sake of surviving the aggressive insurance market, and to build a stronger customer loyalty. This way, organizations can secure the revenues from the good customers who are becoming rare nowadays.

There is a need to build the Lebanese information database that is lacking knowledge of actual success stories or even failures so as to be used as benchmarks for future reference. This study has the purpose first to assess TQM adoption by Lebanese insurance agencies and second to keep records for future reference.

Methodology:

Any analysis would be incomplete without using statistical methods that would allow a more accurate description of total quality control. For this purpose, a survey was carried out on a number of insurance agencies to assess the strengths and weaknesses of total quality control TQC adoption. The research tool used was a questionnaire. It consisted of four parts and was distributed to a convenient sample of insurance agencies to be responded by their agents.

The questionnaire consisted of four parts:
1. Part one, to assess organization climate,
2. Part two, to assess actual practices,
3. Part three, to assess management tools, and
4. Part four, to conduct an organizational assessment.

Results and Findings

1. Profile of respondents

Two hundred questionnaires were distributed to agents in major insurance agencies, one hundred of which returned filled in. Therefore, the response rate was 50%. Respondent’s age followed a range between 24 and 45. Their educational level varied between secondary and undergraduate levels. The majority of the respondents have been working for more than 5 years and enjoy a respectable standard of living.

Assessment of Organization Climate

The first part of the questionnaire entitled assessment of Organization Climate describes the current status of quality-related issues such as quality philosophy, quality awareness, management and supervisors’ involvement, colleagues’ relations and cooperation, and other issues.
The agent-to-supervisor relationship toward quality

When asked about the agency strategic challenge, 92% of the respondents said that they are aware of their company overall mission. However, two categories were formed: one with 57% who gave priority to the quality of work over mission accomplishment, and the other with 35% who gave a priority to mission accomplishment over quality of work. Moreover, all the parties were able to define the quality of what they do.

Being aware of what quality is on a day-by-day basis doesn’t mean practicing quality of work, this was clear by the two groups following different priorities.

Supervisors review agents’ quality of work as 72% of the respondents believe that management is involved in the process of quality control. But as only 13% of the respondents said that their supervisors ask their customers about the quality of work they receive, quality seems to be controlled internally and not externally in the market. Therefore, any discount offered by the agent or any misrepresentation of the product is only assessed after its occurrence. Such a fact may reflect certain limitation to quality control by the supervisors that will also impact the concept of continuous improvement.

Moreover, 94% of the respondents said that their supervisors are practicing internal quality control that deals with reviewing progress towards meeting goals and objectives. Furthermore, 78% of the respondents believe that their supervisors are committed to quality by setting examples of quality performance in their day-to-day activities. The remaining 22% may believe that their supervisors care more about monetary production rather than quality production.

Cooperation and teamwork

Agents agreed upon the issues of cooperation and teamwork being essential assets in the agencies as confirmed by 84%. Concerning social interaction, 82% said that colleagues in their work unit are friendly with one another and 92% believe that their colleagues are rewarded for good work. Therefore, the social life in the agencies seems pleasant as agents interact with each other in a cooperative manner.

Attitude of comradeship

Concerning the attitude of agents, several statements were probed and results showed the following:

- Colleagues in your work unit share responsibility for the success or failure of your services / products.

Responses followed a 5-steps Likert scale; ranging from strongly agree with rank 1, to agree with rank 2, to neutral with rank 3, to disagree with rank 4, and strongly disagree with rank 5. The mean of 2.75 reflects a tendency of being neutral to the statement reflecting an indifference agents’ spirit towards their colleagues’ attitude. This contradicts what have been previously said about the cooperative and teamwork spirit, a cooperation that seems superficial and not deeply rooted.
• The relationships between departments are good.

The overall response has a mean of 2.83 that tends to be neutral response. An indifferent response to characterize internal communication is not very encouraging. Bad communication between the departments in the company might affect negatively the agents’ work who might feel that the company is not backing them up properly in their daily activities.

Other dimensions (time to perform and customer care) have shown that respondents believe that they have enough time to perform their job in a professional manner and that their colleagues care about their customers. Agents are customer oriented and do what they think is best to their customers.

If we consider the mean of all responses (2.34) to the first section as a whole (assessment of organization climate), we find that 74% of agents assessed positively the agency climate agreeing on the content of the statements provided. As a whole the observed trend of the first section of the questionnaire reflects a satisfactory agency climate.

**Assessment of actual practices**

The second part of the questionnaire entitled Assessment of Actual Practices describes management actual practices concerning total quality control issues such as job analysis, surveys, planning strategy, involvement in decision making, performance management, and other issues.

When asked about job analysis, 97% of the respondents said that the agency regularly analyze data concerning goals accomplishment. 51% of the respondents said that their company doesn’t have a written quality improvement policy; even though, 77% of the respondents said that that they get continuous training in quality improvement. However, according to their comments, training in quality improvement per se is not formal and management doesn’t give an importance to quality during the process of job analysis.

Market research is less considered as only 7% of the respondents said that their agency conduct surveys in order to determine customers’ needs and opinion about its products, services and work. Agents who are the main source of market information are also not asked by the agency about what customers think of its products, services and work as only 29% of the respondents replied positively to this question. Does the company possess a secret weapon which allows it to depict customers opinion on which it can base its future plans?

When asked about their personal objectives, 99% of the respondents can specify, if asked, what goals or objectives they are working toward and 94% of the respondents set their own objectives. Concerning the work unit objectives, 98% of the respondents know how their own objectives relate to their work unit objectives. In order to reach their personal goals, agents have defined performance measures to monitor progress toward reaching the goals and objectives. These measures could be the number of working hours per day, the number of prospects interviewed per day etc…

Most agencies compare performance data with goals, standards or objectives as 98% of the respondents answered positively to the question tackling this issue. Evaluation of performance data is done at least every quarter in order to get up-to-date and accurate feedback. Effectively, major agencies evaluate data on a monthly basis to depict deviations and try to take corrective action to ensure desired results while the operation is in progress. Any shortage from established goals must be examined even on a weekly basis.
High performing agents at top agencies can expect a monetary bonus or award as 100% of the respondents said so. The same applies to personnel evaluation as 100% of the respondents said that highly performing agents expect to be recognized by leaders at the top level. But only 69% of the respondents said that the performance appraisal include quality improvement criteria. This issue provides more evidence that management seems to give inadequate attention to quality improvement that in turn violates the principle of total commitment.

If we consider the mean of responses to all the questions of that section, we find that 79% of the agents assessed positively top agencies actual practices. But this somehow high positive response doesn’t mean that top agencies actual total quality control practices shouldn’t be revised and especially in the area of quality improvement.

Management tools assessment

The third part of the questionnaire describes the several tools used by management to implement the concept of total quality control in the company. Some of these tools are surveys, training, seminars, contests, quality circles and others.

The first two statements of this third section of the questionnaire are concerned with the assessment of quality improvement (surveys for work improvement and quality of work). A mean of 3.3 of the first statement shows that respondents are indifferent to the issue that their company uses surveys to gather information about what needs improvement. The same applies to the second statement where the respondents are neutral to the issue that their company uses surveys to assess the quality of its work. Surveys, as management assessment tool, are not undertaken by the agencies because of the absence of a research department.

When respondents were to give their opinion on the statement concerning their participation in defining long-term company goals, they were also indifferent to that statement. The same happened when they were to comment on the statement concerning their role in identifying barriers to goals accomplishment. The agents need to feel a sense of participation in any decision-making because such a feeling can motivate them to improve performance.

As for training in quality improvement, respondents believe that their agencies, more or less, organize regular training sessions in quality improvement. Seminars and conferences on quality improvement are organized occasionally. This is reflected by a mean of 2.62 for training and 2.57 for seminars although these seem to be nearer to a neutral response rather than an affirmative one. As for contests, respondents agree on the statement that their company hold contests to reward the excellent performance of work units. However, when agents were asked about the concept of quality circle their responses reflected a mean 3.25 that tells that agents are unaware of this concept.

If we take the mean of 2.83 being the mean of this section of the questionnaire, we find that insurance agents are indifferent with the tools used by management to implement the concept of total quality control. This fact may lead to dissatisfaction on the long run.

Organizational assessment

The fourth and final part of the questionnaire entitled Organizational Assessment reveals information about work delays, working conditions, customers’ satisfaction and other issues. Responses were either “yes coded 1 or no coded 0”.

When asked if work delays were uncommon in their agencies 19% of the respondents answered yes. The remaining 81% respondents believe that work delays are common in their
company. But later, 87% of the respondents said that their customers are satisfied with the timeliness of their work which contradicts what have been previously said. The reason behind this is that administrative work delays are not revealed to the public and the agents are known of how to deal with their customers in a professional manner.

Neither working conditions nor working facilities are excellent in the company. Only 44% of the respondents said that factors that influence work conditions such as noise, heat, light and dirt are excellently controlled, and 59% of the respondents believe that work facilities such as bathrooms, cafeterias and conference rooms are excellent. Although, insurance agents spend most of their time outside the office being in the market, an excellent working environment might affect their performance and empower their spirit.

The agents’ standard is fair as 78% of the respondents think that their colleagues are well trained. Moreover 86% of the respondents believe that they are receiving the guidance and assistance they need to accomplish their work.

When asked about the customers’ satisfaction, 98% of the respondents answered that their customers are satisfied with the quality of their work. But 50% of the respondents said that their customers complain even though they are receiving quality work. The question to be asked is: “why customers are complaining if they are satisfied with the quality of work they receive?”

Moreover, only 52% of the respondents think that all the customers have trust in their company.

The mean of all the questions of the section is 0.63, and only 63% of the respondents assessed the organization positively as a whole. This percentage should be higher.

Cross-tabulation

Further analysis to the data collected was done using cross-tabulation for the purpose of identifying dependency among the factors that have a role in shaping our understanding of TQC as perceived by the sampled insurance agents. Cross tabulation is a technique organizing data by groups, categories, or classes, thus facilitating comparisons. It is a joint frequency distribution of observations on two or more sets of variables. In order to test the statistical significance in the analysis of frequency distributions, the Chi-Square test was utilized.

For this purpose, responses picked up from the different sections of the questionnaire were grouped into seven clusters each representing a different concept. These seven clusters are the following: quality, quality control, customer orientation, communication, work environment, performance and company strategy.

Cross-tabulation was undertaken between different clusters, the results of which will be discussed in this next section.

Relationship between quality and different variables

Important relationships have been found in testing the significance variability between quality and different variables. Cross-tabulation was conducted between quality, quality control, customer orientation, communication, work environment, company strategy respectively indicating a significant variability between them. Results are summarized in Table1 that shows high significant variability between quality and the five variables. At a significance level of (alfa = 0.05), the significance levels were 0.006, 0.000, 0.000, 0.017, 0.000
respectively indicating that they are not independent of each other. Moreover, a correlation
analysis was conducted between quality and the five variables. It was found that quality is
positively affected by quality control, customer orientation, communication, work
environment and company strategy. This makes sense, because if the agency increases its
quality control measures, care more about its customers, reinforces the teamwork spirit and
agents participation, improves its work facilities and working conditions as well as
implementing a well-established quality improvement strategy, quality of work will
automatically improve.

Table 1. Relationship between quality and different variables

<table>
<thead>
<tr>
<th></th>
<th>Chi-Square</th>
<th>Df</th>
<th>Asymp. Sig</th>
<th>R</th>
<th>Sig. T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality*Qu.con</td>
<td>44.712</td>
<td>24</td>
<td>0.006</td>
<td>0.413</td>
<td>0.000</td>
</tr>
<tr>
<td>Quality*C.Orent</td>
<td>102.733</td>
<td>42</td>
<td>0.000</td>
<td>0.414</td>
<td>0.000</td>
</tr>
<tr>
<td>Quality**Comm</td>
<td>81.861</td>
<td>24</td>
<td>0.000</td>
<td>0.559</td>
<td>0.000</td>
</tr>
<tr>
<td>Quality*W.Env</td>
<td>48.658</td>
<td>30</td>
<td>0.017</td>
<td>0.258</td>
<td>0.010</td>
</tr>
<tr>
<td>Quality*Com.Stra</td>
<td>64.883</td>
<td>30</td>
<td>0.000</td>
<td>0.548</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Measured with alfa = 0.05

Relationship between quality control and different variables

In this section, a cross-tabulation was conducted between quality control and customer
orientation, communication, work environment, and company strategy respectively. The
results are summarized in Table 2 that shows significant variability between quality control
and the four variables. The significance levels were 0.003, 0.003, 0.010, 0.002 respectively
indicating interrelation between them. Moreover, a correlation analysis was conducted
between quality control and the four variables, the results of which will be discussed in the
next paragraph.

Even though there is dependence between quality control and customer orientation, the
correlation shows no statistical significance between the two variables. This can be due to the
variability in answers given by agents concerning the issue of customer orientation such as
surveys, work delays, customers complaints, goodwill etc… As for the remaining three
variables, the correlation analysis shows a positive association between quality control,
communication, work environment, and company strategy. Any improvement in issues such
as job analysis, agents participation, attitudes, communication between departments, training
in quality improvement, should improve quality control at the agency.

Table 2. Relationship between quality control and the four variables

<table>
<thead>
<tr>
<th></th>
<th>Chi-Square</th>
<th>Df</th>
<th>Asymp. Sig</th>
<th>R</th>
<th>Sig. T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qu.con*C.Orent</td>
<td>53.500</td>
<td>28</td>
<td>0.003</td>
<td>-0.060</td>
<td>0.553</td>
</tr>
<tr>
<td>Qu.con*Comm</td>
<td>35.535</td>
<td>16</td>
<td>0.003</td>
<td>0.387</td>
<td>0.000</td>
</tr>
<tr>
<td>Qu.con*W.Env</td>
<td>37.533</td>
<td>20</td>
<td>0.010</td>
<td>0.216</td>
<td>0.031</td>
</tr>
<tr>
<td>Qu.con*Com.Stra</td>
<td>44.006</td>
<td>20</td>
<td>0.002</td>
<td>0.377</td>
<td>0.000</td>
</tr>
</tbody>
</table>
Relationship between performance, quality, quality control

In this section, a cross-tabulation was conducted between performance, quality, quality control. The results are summarized in Table 3 that shows high significant variability between performance and quality. At 0.05 level of significance, the significance level of variability are not dependent of each other. A correlation analysis was conducted between performance and quality, the results of which show a positive association between the two variables. It makes sense that good quality would improve agents performance. Agencies should give more concern to quality improvement and try to improve performance on that base.

Moreover, the results of Table 3 show high significant variability between performance and quality control. At a significant level of 0.05, the significance level of variability was 0.014 reflecting dependence between performance and quality control. However, the correlation analysis between performance and quality control shows a weak positive association. This association is not statistically significant as the significance level was 0.136. Statistically speaking, quality control does not affect performance.

This doesn’t make sense because an increase in quality control measures should affect performance. However, knowing that there is no comprehensive knowledge of quality control and continuous improvement, such a result is expected.

Table 3. Relationship between quality and quality control.

<table>
<thead>
<tr>
<th></th>
<th>Chi-Square</th>
<th>Df</th>
<th>Asymp. Sig</th>
<th>R</th>
<th>Sig, T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality*Perf</td>
<td>23.994</td>
<td>12</td>
<td>0.020</td>
<td>0.261</td>
<td>0.009</td>
</tr>
<tr>
<td>Qu.con*perf</td>
<td>19.207</td>
<td>8</td>
<td>0.014</td>
<td>0.150</td>
<td>0.136</td>
</tr>
</tbody>
</table>

Relationship between performance and the other variables

In this section, cross tabulation was conducted between performance, customer orientation, communication, company strategy. The results are summarized as before in Table 4 that shows neither dependence nor correlation between performance and customer orientation as well as between performance and company strategy. Statistically speaking, customer orientation and company strategy do not affect performance.

This doesn’t make sense because if insurance agencies become more customer oriented and if they improve their strategy of quality improvement, performance should improve. However, the results of the tables show high significant variability between performance, communication, and work environment. At a significant level of 0.05, the significance levels were: 0.012, 0.013 respectively indicating that they are not independent of each other. Moreover, a correlation analysis was conducted between performance and the two variables. It was found that performance is positively affected by communications and environment. This makes sense because better communication and work environment should improve performance.
Table 4. Relationship between performance and the other variables

<table>
<thead>
<tr>
<th></th>
<th>Chi - Square</th>
<th>Df</th>
<th>Asymp. Sig</th>
<th>R</th>
<th>Sig. T</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.Qrent*Perf</td>
<td>10.687</td>
<td>14</td>
<td>0.710</td>
<td>-0.011</td>
<td>0.911</td>
</tr>
<tr>
<td>Comm*Perf</td>
<td>19.671</td>
<td>8</td>
<td>0.012</td>
<td>0.244</td>
<td>0.014</td>
</tr>
<tr>
<td>W.Env*Perf</td>
<td>22.462</td>
<td>10</td>
<td>0.013</td>
<td>0.240</td>
<td>0.016</td>
</tr>
<tr>
<td>Com.Stra*Perf</td>
<td>11.428</td>
<td>10</td>
<td>0.325</td>
<td>0.101</td>
<td>0.37</td>
</tr>
</tbody>
</table>

Conclusion / Discussions

Despite the strong insurance agencies’ image in the community, there is a current decrease in revenues in Lebanon. One can relate the observed negative growth of many insurance agencies during 1996 to the failure of most of them to develop and implement efficiency plans like a total quality control program.

The agencies’ top management should be responsible for the introduction of a total quality control program. It should select a leader for the program by assigning the duties to someone other than Agency Head as is the trend. The program’s leader must coordinate with the General Manager, the Agency Head, the Policy Owner Service Manager and all the Agency and Unit Managers of the different agencies of the company. The agents, who represent the company in the market, play a major role in influencing the opinion of customers vis a vis the company and its products. For this reason, the interested agency’s top management should focus on agents during the development of a total quality control program. The inclusion of educated and knowledgeable agents in the program can be instrumental and vital and can help in its success.

However, without doing much effort in regard to introducing a total quality control program, the company can improve its performance by focusing on four subjects:

1. Giving more concern to quality improvement.
2. Becoming more customer oriented.
3. Improving communication.
4. Upgrading the work environment.

First, there is no written quality improvement policy in most of the insurance agencies selected. Top management should emphasize more on quality and organize training sessions in quality improvement on a regular basis. Such training sessions should focus on the different ways to serve customers and satisfy their needs. Agents must understand that after-sales service is more important than the company. Top management should organize seminars in quality improvement and invite speakers from outside the company and try to relate it to their own. Training sessions and seminars are two effective managerial tools helping in educating agents in quality.

Most successful insurance companies and agencies pay a persistency bonus to agents on each policy sold during a specified number of years back, let us say three for example, and which did not lapse. Many insurance agencies pay commissions to agents on only the first, second, and third anniversary of each policy. As a result of such pay system, agents stop visiting their clients after the third anniversary that results in lapsed policies. For this reason, this pay system should be modified as follows: the persistency bonus should be based on agents portfolio, meaning all policies in force even if they were sold ten years ago but did not lapse. Paying commissions should be extended for more than three anniversaries. This new pay system will motivate agents to visit their customers each year to collect premiums and thus
cashing money for the services rendered. As a result, agents will give more concern to building a portfolio which will lead to more customer satisfaction. The second subject is becoming more customer oriented. Servicing customers quickly and efficiently is a matter whose importance cannot be over emphasized.

Top management is very much aware that customer service is vital to the survival and growth of the company. For this reason, the Policy Owner Service department needs to be improved as it is responsible for work delays resulting in customers and agents complaints. Sometimes the workload is large such that the assigned few department employees are not enough to deliver the work on time. A change of beneficiary of which would take two days to process takes more than two weeks. As for the underwriting department, an application that would be underwritten and issued within a couple of days takes more than two weeks to be handled. Some applications are sent to the regional office to be underwritten and in that case take more than one month to be delivered which upsets customers as well as agents. The local underwriting manager should be given more authority and freedom to act and should refer to the regional underwriting manager only when the underwritten application is a very complicated one.

In order to determine customers’ opinion on products, services and work, agencies should conduct surveys. A questionnaire could be sent to a number of customers who will respond to a set of questions related to quality. Customers could be chosen according to the amount of insurance they process, the profession they are practicing and the education level they have reached. By conducting such surveys, agencies would be able to collect data directly from the market and analyze it in order to determine customers’ opinion. At the same time, top management could ask agents about what their customers think of their products, services and work. Top management should compare data collected from customers with data collected from agents to be able to get reliable information to base its quality improvement policy.

The third subject is improving communication. Improving cooperation among agents as well as agents participation is very crucial for the success of any business.

Cooperation and teamwork is an important asset in every successful company. The companies’ top management are aware of this fact and try through the agency system to strengthen the teamwork spirit. Each agency consists of several units, each working as a separate entity. Cooperation and teamwork exist on unit level, not on agency and company levels.

Competition that exists between units and agencies (a unit is a subsystem of an agency) has its drawbacks. Sometimes, the same prospect is contacted by more than one agent and sometimes, the same prospect is contacted by more than one agent and offered the same product for different prices. This uncontrolled practice has its negative effects on the prospect who might change his/her opinion about the company and as a result refuse to deal with it. Top management should introduce the concept of quality circles in the company in order to improve communication between agents. Each quality circle should be formed of agents coming from the different agencies for them to meet and cooperate in their daily activities. The discussion should be led by a supervisor, preferably someone other than the Agency Head. It is very important for agents to interact and discuss quality related issues. Quality circles would improve the teamwork spirit on a company level and would decrease ambiguous practices between agents.

Any company should ask their agents to participate in defining long-term goals as well as to identify barriers to goals accomplishment. Such a participation would motivate agents and improve communication between agents and management. Agents would feel they are contributing in decision making which would affect their performance. This kind of
participation would strengthen agents’ commitment to the company and consequently improve quality of work.

The fourth subject is upgrading the work environment. Agents’ attitudes, communication between departments, the working conditions and facilities all play a major role in upgrading the work at the company. Usually Lebanese agents try not to share responsibility for the success or failure of their colleagues’ services. Such a negative attitude should be changed before trying to strengthen the teamwork spirit at the company. When first recruited, agents should attend training sessions in teamwork and participate in quality circles as discussed previously. Each agent should consider all his colleagues as partners accomplishing the same mission.

The relationship between the different departments in the company needs to be improved. The first step is to improve the relationship between the Underwriting department and the Policy Owner Services department because some modifications on existing policies need to be checked out by both departments. For example, any reinstatement of a lapsed policy sent to the Policy Owner Services department should be underwritten by the Underwriting department. Such a transaction takes around one month to be completed due to the weak coordination between the two departments. Top management should improve the relationship between the Agency Services department and both the Policy Owner Services and Underwriting departments. A good communication between all three departments will affect agents performance positively.

Working conditions as well as work facilities are not excellent in most of the agencies. At least three telephone lines should be available in each agency, because of the large number of agents present in main offices especially on the weekly agency meeting. Top management should employ enough secretaries for each agency as the bulk of work is huge during period of extraordinary performance. Moreover, special attention should be put to the furniture available since it is not sufficient and new agents don’t find a place to sit in order to make telephone calls or finish some required paper work. Some agencies should change their offices and move to bigger ones in order to be able to accommodate the newly recruited agents.

With the right products, the right services and an approach to total quality control, and given the immense field force that major insurance companies possess, no doubt that leadership will be maintained and growth will inevitably mark the years to come.

References


Authors Biography

Presenter: Hussin J. Hejase (hhijazi@lau.edu.lb)


He is a holder of one US Patent, and author of numerous scientific papers. Since 1995 he is a full-time faculty at LAU teaching in business management. Presently, beside the academic track, he is engaged in consulting and training in several corporations and institutions in Lebanon, Syria, and Saudi Arabia. He is a member of several management professional associations. His research interests include: Human Resources Development, Information Technology & Business Automation, Neural Networks Simulations, Green Management, Knowledge Management, Women in Management, and Applied Strategic Management.

Nouri Beyrouti (nbeyruti@lau.edu.lb)

is a professor of Marketing, Management, and Advertising. He received his B.A in Advertising from the Lebanese University in Beirut, and his M.A. and Ph.D. in Communication Management and Technology from New York University in New York. 1989.

He has taught Marketing principles, Management, Advertising, and Marketing Management, Management theory for approximately 10 years. He worked as a research consultant for
numerous research and scientific centers at New York University, and New York City and in Beirut, Lebanon.

Dr. Beyrouti has served as a Chairman of the Business School at the Lebanese American University. He is presently an assistant professor of Business Marketing, Management at L.A.U. He is a member of a number of organizations Nationally and Internationally. He has published many papers on Marketing, Management, Advertising MIS, TQM, and Internet Marketing

Nadim Damiani is an MBA graduate from the Business School, Lebanese American University. Presently working with ALICO Insurance Company.