

Managerial Dilemmas in Developing Countries

Managerial Dilemmas in Developing Countries:

*Business, Marketing,
Finance and Tourism*

Edited by

Mohamed Aslam, Malcolm J.M. Cooper,
Athula Gnanapala and Thilini Gamage

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PREFACE

This book is published using selected research papers from the 1st Intra-disciplinary Conference of Management Researchers 2017 (1st ICMR 2017). Recognizing the significance and inevitability of lobbying the critical managerial issues and challenges in developing countries related to organizations, human resource, consumers, finance and tourism and hospitality, the editors decided to compile the contributions of researchers from different geographical settings into this book. It includes articles containing empirical evidence gathered through surveys, in-depth interviews, covert and open observation and contextual analysis. Considering their coherence and similarity the chapters in the book are clustered into five parts: organizational changes and development, human resources management, marketing and consumer behaviour, financial management, and tourism and hospitality management. Overall, the book has twenty-three chapters dealing with various managerial dilemmas related to information technology, business reengineering, the manpower utilization process, consumer behavioural aspects and marketing performances, mitigating financial challenges, and anticipating desires and expectations in the emerging tourism and hospitality industry. As contributors for the books are from different disciplines and backgrounds, we believe that this approach enriches the book for the readers.

The first part of the book consists of studies of organizational changes and development that include in the first chapter by A.A.K. Gayania and K.L.B.G Dharmarathne, a study on the factors affecting the use of e-learning systems by the banking assistants of the Hatton National Bank with special reference to the South-Western region in Sri Lanka. In chapter two K.A.P. Mekhala, H.C. Munasinghe, A.N. Abeygunawardena, V. Puvana, R.K.D. Darshana and K.U.S. Somarathna examine management information systems for effective decision making in relation to the total cost of quality. Chapter three is contributed by Lasitha Devendra and Upul Sonnadara and covers reengineering academic institutional standards. N. A. P. Pubudika, Manori P. Kovilage in chapter four analyse the factors affecting failure to achieve the expected sewing efficiency level in the Sri

Lankan garment industry; with special reference to Brandix Apparel Solutions in Wathupitiwala, Sri Lanka.

The second part of the book is focused on human resource management. In chapter five, the changing role of human resources and its business relevance are analysed by Asadullah Khan and Sanath Karunagoda. K A.K. Nanayakkara and M.S.M. Aslam in chapter six investigate the impact of organizational downsizing on manpower retention: a case study of the Eden Resort & Spa, Beruwala. Chapter seven deals with the impact of work-life balance on employee work performance in the hotel industry of Sri Lanka and is contributed by D.S. De Seram and W.K. Athula C. Gnanapala. A study on the impact of fair treatment and working environments on organizational commitment is contributed by I.A. Ekanayake and K.R.M.C. Thilakarathne in chapter eight. In chapter nine R. S. Hewage and A. A. M. D Amarasinghe analyse the effect of job satisfaction and job stress on perceived job performance of insurance agents in Sri Lanka. The impact of the big five personality traits on employee job involvement in Brandix Apparel Solutions Limited-Intimate Apparel, Walisara, is discussed by W. B. S. M. Wijesingha and A. C. Jayatilake in chapter ten. Chapter eleven is a study of the relationship between psychological contract and employment by S. H. A. K. Nandasiri, D. C. Wijayasekara and P. Sivashankar.

Part three of the book incorporates empirical studies relating to marketing and aspects of consumer behaviour. Chapter twelve is a study of bank interest rate reduction and its impact on the channelling of funds in Sri Lanka by A. M. M. P. K. Alweera. In chapter thirteen V. Muthusamy and K.D.U.D. Fernando analyse the factors that affect cross selling of dwelling houses and personal accident insurance for private motor car policyholders in Sri Lanka. In chapter fourteen W.P.S. Wijesinghe P. Sivashankar and S.H.P. Malkanthi contribute a study of consumer willingness to pay for organic food in Colombo Municipal Council, using evidence from a conjoint analysis study. A study of the cinnamon value chain in the Galle district of Sri Lanka is contributed by S. H. P. Malkanthi and A. A. C. Krishani in chapter fifteen.

The fourth part of the book incorporates studies related to dilemmas in the financial management of organizations in developing countries. In chapter sixteen R. S. Hewage and T. U. I. Peiris analyse the effect of financial development on economic growth, giving evidence from South Asian countries. T.U.I. Peiris contributes a study on foreign direct investment and endogenous growth, again with evidence from South Asian countries, in chapter seventeen. Chapter eighteen also includes an investigation by T. U.

I. Peiris on the effect of institutional excellence on stock market development. D. G. Dharmarathna then investigates the stock price reaction to right issue announcements and information efficiency in the Colombo Stock Exchange (CSE) in chapter nineteen.

The fifth part of the book presents research articles related to empirical investigations in tourism and hospitality management at destinations, sites and resorts throughout Sri Lanka. Hiran Dinusha and W. K. Athula C. Gnanapala provide an analysis of the interpretation ability of tourist guides and the impact of this on tourists' satisfaction in round tours in chapter twenty. In chapter twenty-one M.P.D.R.S Senevirathna and W. K. Athula C. Gnanapala investigate the behavioural characteristics of solo female travellers in Sri Lanka. Then Namal Wijesundara contributes an empirical essay on community participation in tourism decision making process through a case study of Arugam Bay, Sri Lanka in chapter twenty-two. Finally, in chapter twenty-three the impact of unplanned development on tourist satisfaction is investigated, with special reference to Negombo, Sri Lanka, by Ruvini Charika and W. K. Athula C. Gnanapala.

Given that the 1st ICMR 2017 at the Faculty of Management Studies of Sabaragamuwa University of Sri Lanka was the entryway to compile this book with fascinating and informative research papers from diverse geographical settings and different academic backgrounds, It is a pleasure to acknowledge the Faculty of Management Studies, Sabaragamuwa University of Sri Lanka, the main organizer of the conference and conference sponsor, the Lanka Electricity Company as a platinum sponsor, and the Insurance Association of Sri Lanka and CEG Education Holdings as gold sponsors. Also, the editors express our sincere thanks to all the contributors of the book

M.S.M. Aslam
Malcolm Cooper
Athula Gnanapala
Thilini Gamage

PART I:

ORGANISATIONAL DEVELOPMENT

CHAPTER ONE

FACTORS AFFECTING THE USE OF E-LEARNING SYSTEMS BY THE BANKING ASSISTANTS OF HATTON NATIONAL BANK IN THE SOUTHWESTERN REGION

A. A. K. GAYANI

SABARAGAMUWA UNIVERSITY OF SRI LANKA

K. L. B. G. DHARMARATHNE

SABARAGAMUWA UNIVERSITY OF SRI LANKA

Abstract

E-learning is an emerging new paradigm of learning and training in workplaces which creates a platform for learners to learn wherever they are, and without time constraints. This study is aimed at understanding the e-learning system of Hatton National Bank PLC (HNB PLC), one of the well-established, island-wide, commercial banks in Sri Lanka. The objective of the study was to find out the factors that affect the use of e-learning systems by banking associates, and the study was carried out at the Hatton Nation Bank offices in the Southwestern Region. The model was developed using the factors of social influence, perceived support, perceived self-efficacy and computer anxiety that affect the behavioural intention to use e-learning systems. The population of 84 banking associates gave their responses to a survey questionnaire. The survey data were analysed using inferential statistics such as Pearson's Product Moment Correlation, and Multiple Regression analysis. The major finding of the study revealed that perceived self-efficacy has a greater impact on the usage of e-learning systems, and is a factor relating to the individual rather than the group. In contrast, one of the strong predictors of social influence was rejected, since the p-value was insignificant. Perceived support, however, showed a positive relationship, and computer anxiety indicated a high negative relationship with behavioural

intention. The observed model proposes significant predictors which influence the e-learning system of Hatton National Bank PLC.

Keywords: Usage of e-learning, social influence, perceived support, perceived self-efficacy, computer anxiety, behavioural intention

Introduction

As a vertical market, where adoption of innovative technology is central to its growth, up-skilling of employees in the banking sector is of utmost importance. The fast-changing technological and social environments have overburdened the shoulders of employees in organisations (Zafar, Zahra, and Zia 2014). Workplace learning is an important means of employees' continuous learning, and e-learning is being recognized as a supportive practice for learning at work. In this case, e-learning is increasingly being used by organisations as an emergent approach for enhancing the skills of knowledge workers (Cheng et al. 2011). The effective usage of e-learning is required to cater to, and to satisfy, the requirements of organisations, and offers the benefits of cost-effectiveness, delivery-efficiency, self-management of learning, on-demand training, and time/place-free availability to employees (Welsh, Wanberg, Brown, and Simmering 2003). Hence, e-learning has been introduced by HNB Bank PLC as an approach to self-learning.

Research Problem

There is a lack of empirical studies of the acceptance and use of technology conducted on the implementation of e-learning in the workplace. Venkatesh and Davis (2000) explained that despite impressive advances in hardware and software capabilities, the troubling problem of underutilized systems continues. Misalignment has been found to exist between the organisational environment and technology-supported learning activities such as knowledge capture and sharing in the workplace (Cheng et al. 2011). In fact, employee behaviour in e-learning is not as expected, hence the weak focus on self-learning, technological and physiological factors which has been identified by researchers. DeRouin, Fritzsche and Salas (2005) recommended that researchers begin measuring the behavioural and organisational outcomes of e-learning.

This chapter analyses the data from a study of the HNB PLC using descriptive statistics concerning the dimensions of perceived ease of use, and perceived usefulness and behavioural intentions. Here the exploration fo-

cussed on the fact that most banking assistants have a low tendency to interact with e-learning, compared to junior executives, executives, and senior executives. With respect to this, a preliminary study of their usage details and descriptive statistics found that the e-learning engagement of banking assistants is low. The researchers identify the factors that impact on the lower usage of e-learning systems among the banking assistants of HNB Bank PLC in the South-Western region of Sri Lanka.

Objectives of the Study

The objectives of the research were as follows:

1. To identify the impact of social influence on behavioural intention;
2. To identify the impact of perceived support on behavioural intention;
3. To identify the impact between perceived self-efficacy and behavioural intention; and
4. To identify the impact between computer anxiety and behavioural intention.

Literature Review

The information-rich era of today creates the value of learning as a quest, it enhances learner's skills, knowledge and attitude. As cited in Falconer (2006), organisational learning was first introduced by March and Simon in their early work on organisations. Employees engage with learning in all the hierarchical levels of an organisation for their survival in a competitive working environment today. In the banking industry, organisational learning polishes the quality of customer service, while adding value to the employees. The learning organisation theorists viewed e-learning as a form of organisational learning, and the potential of e-learning as a tool for workplace learning can only be exploited within an appropriate work and learning culture and environment (Tynjala and Hakkinen 2005).

The importance of workplace learning as an effective way for employees to acquire knowledge and skills for individual competence development, as well as for organisational effectiveness, has been widely recognized (Doornbos, Simons, and Denessen 2008). Falconer (2006) stresses that transformation of tacit knowledge to explicit knowledge, and its diffusion amongst, and across, groups, can be effectively facilitated by IT in general, and e-learning techniques specifically. While various definitions metaphor e-learning, Kelly and Bauer (2004) view e-learning as a web-based learning tool that utilises web-based communication, collaboration, knowledge

transfer, and training, to benefit individuals and organisations. Accordingly, this study views e-learning as a technological way of uplifting employees' skills, knowledge and attitudes, irrespective of where they are available.

When increasing e-learning in organisations, it is fundamental to evaluate its effectiveness. Previous theories and models of the adoption and diffusion of IT/IS and UTAUT facilitate the examination of user intentions to use an information system, and their consequent usage behaviour (Dwivedi et al. 2011). For Davis (1989) a user's behavioural intention is defined as "a measure of the strength of one's intention to perform a specified behaviour." In fact, intention to use is an attitude, whereas use is a behaviour (Ong and La 2006). Behavioural intention is therefore considered as the most influential predictor of behaviour (Sheppard, Hartwick, and Warshaw 1988), and is found to be the dependent variable in evaluating the use of e-learning. Thus, this study concludes that behavioural intention is the response variable that explains the gaps found in the use of this technique.

The variables weighted highly in the workplace, several being seen to influence individual's behaviour. The literature defines social influence as follows: SI as one of the extrinsic motivators could influence employees' attitudes towards e-learning as an intrinsic motivation (Roca and Gagné 2008), thus the SI model of technology proposed by Fulk, Schmitz, and Steinfield (1990) states that group members' or supervisors' attitudes toward technology affect individuals' perceptions of its usefulness. In this case, employee education levels may also influence e-learning usage.

Perceived support can urge potential users to use e-learning, enhancing users' intention to use, regardless of their gender, age, previous usage experience, or working experience (Cheng et al. 2011). Hence, the impact on behavioural intention is considerable, according to Cheng et al. (2012). This construct is measured with three dimensions; managerial support, job support and organisational support (Tang et al. 2014).

In the e-learning context, an individual's behavioural characteristics are significant, hence the success of behavioural intention is also based on individual commitment. The existing body of knowledge reveals that personal factors play important roles in either adopting or rejecting e-learning (Yu, Chen, Yang, Wang, and Yen 2006). According to research in Taiwan, the most critical factor which positively affects learners' satisfaction toward e-learning is perceived self-efficacy. This result indicates that learners' self-efficacy is an important factor that influences e-learning usage (Liaw 2008). Employees with high autonomy should be able to arrange time for e-learning more easily (Brown 2005). Recent years have witnessed in the literature a series of studies on the learner characteristics of perceived self-efficacy, which show that these have a strong influence on behavioural intention. In

this study, the relationship of behavioural intention and perceived self-efficacy is described in accordance with the theory of planned behaviour which is a strong player within UTAUT.

Although computers are widespread, the human interaction with them for learning purposes is doubtful. Colquitt, Lepine, and Noe (2000) explain that computer anxiety is a determiner of individual computer engagement. Moreover, the higher the anxiety aroused, the more task performance decreases (Kanfer and Heggstad, as cited in Sun et al. 2007). Therefore, a negative impact of computer anxiety on behavioural intention is observed.

Methodology

The researchers tested these theories by specifying narrow hypotheses, and the survey used a cross-sectional study. The study uses the positivist approach to justify the hypothesis designed to prove the relationship between behavioural intention and e-learning. The HNB bank was the setting for the study. The South-Western Region consists of 21 branches. Primary data was used for the study and collected through structured questionnaires distributed among 108 respondents. Moreover, the researchers used secondary data from 'employee details, May 2015' when determining the sample size and propositions. The sampling method used in the research was stratified Random Sampling, a probability sampling method.

Conceptual Framework

The conceptual framework for this study connects the causal relationships within the independent variables to the dependent variable (Figure 1.1). Data analysis was performed by testing regression analysis to measure the acceptance of the proposed model, the research hypotheses and the research objectives. The hypotheses were tested at the confidence level of 95%. Cronbach's Alpha values of constructs that indicate sufficient level of reliability were 0.786 for all the constructs. Thus, the validity coefficient of 0.781 exceeds 0.5, and this indicates a high level of sampling adequacy in the instrument used.

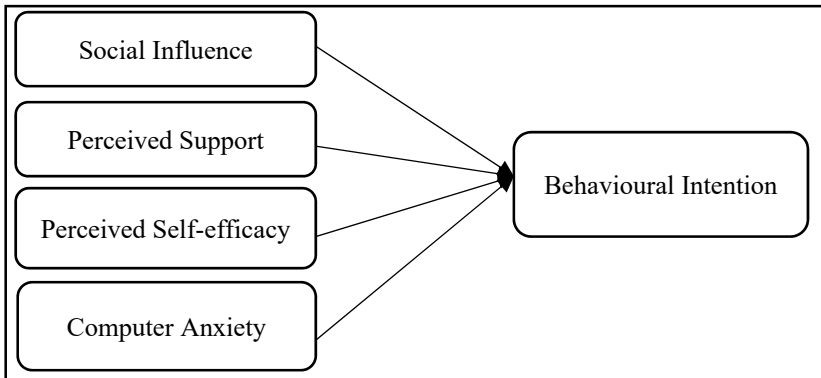


Figure 1.1 Conceptual Framework of the Study

Source: (Developed by reviewing the existing literature by the researcher)

Data Analysis

Correlation Analysis

The relationship between the independent and dependent variables is estimated by applying correlation bivariate analysis. The conceptual model indicates positive relationships (Pearson r) for constructs apart from computer anxiety. We found a weak positive correlation between social influence and behavioural intention ($r = 0.346$, $p = 0.000$). Perceived support and perceived self-efficacy indicate strong positive correlations with behavioural intention. This is statistically significant ($p = 0.000$), and thus there is not enough evidence to reject H_0 . The computer anxiety construct signifies a high degree of negative correlation ($r = -0.702$, $p = 0.000$) towards behavioural intention. In fact, when computer anxiety increases, it negatively impacts on behavioural intention.

Regression Coefficients

The regression analysis was performed by the researchers using the step-wise method, to determine the best fit model that reflects the impact of the independent construct on behavioural intention (Table 1.1).

Table 1.1 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.922a	.851	.845	.30617	2.215

There is a strong positive relationship between the independent variables and the dependent variable ($r = 0.922$) with respect to model no. 3. Therefore, behavioural intention is explained by its high degree of positive relationships with perceived support, perceived self-efficacy, and its high degree of negative impact with computer anxiety. The dependent variable is explained 85.1% by the independent variables. There is only 14.9% of the impact resulting from any variables not included in this analysis.

The adjusted R^2 shows a better fit compared to the R^2 coefficient of 84.5% which is adjusted based on the residuals. The Standard Error is relatively small value (.30617), close to zero, and indicates the high validity of the model. The significance of the overall model was checked using ANOVA and the P-value was 0.000 which is less than 0.05, and $F = 151.735$. H_1 is accepted since there is enough evidence to reject H_0 . Therefore, the analysis of variance is significant. When considering Collinearity statistics, the tolerance level of the independent variables exceeded 0.2, denoting a lesser relationship within the independent variable as per Table 1.2. This is also indicated by the VIF indicators, as the findings are lower than 10.

Table 1.2 Regression Analysis Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
Constant	.795	.423		1.880	.064		
PS	.389	.098	.273	3.984	.000	.397	2.522
PSE	.651	.087	.555	7.500	.000	.341	2.934
CA	-.149	.044	-.192	-3.384	.001	.578	1.729

The independent variable of social influence had a statistical significance of $p = 0.216$. However, social influence is insignificant, as it exceeds the criteria of $p < 0.050$, hence H_0 is accepted. As per the model indicated in Table 2, perceived support and perceived self-efficacy are positive coef-

ficients, with values respectively of 0.389 and 0.651. When perceived support increases by one unit, behavioural intention is enhanced by 0.389. The regression equation is a statistical platform to infer the sample findings to the total population, and was identified by justifying assumptions and model adequacy:

$$BI = 0.795 + 0.389_{(PS)} + 0.651_{(PSE)} - 0.149_{(CA)}$$

Results and Discussion

UTAUT is derived by summarising eight models which impact on behavioural intention in a variety of ways, as per existing literature. It indicates that the respondents to this study need a change in the e-learning system, in accordance with their attitude. It indirectly says that banking assistants in the South-Western region are not satisfied with the current e-learning system. Though the literature indicates a higher tendency to be accepted, there is a significant percentage of assistants who do not use any such material. This indicates that there is less involvement in e-learning in HNB Bank PLC.

According to the existing body of knowledge, social influence is accepted with a strong correlation in South Korea (Yoo et al. 2012), Mexico (Terzis, Moridis, Economides, and Mendez 2013), Belgium (Pynoo et al. 2011), and Taiwan (Wang et al. 2007), but, it is rejected by the South-Western region of HNB Bank PLC in Sri Lanka. Nevertheless, Wang, Wu and Wang (2009) found that social influence impacts positively on behavioural intention and is a significant determinant of this.

Simultaneously, the predictor variable of perceived support indicates a strong positive relationship with the behavioural intention to use e-learning. The predictor variable of perceived support showed a strong correlation with lower impact, and was designated as a significant variable in our conceptual model with respect to the South-Western Region of HNB Bank PLC. This indicates that if management support, job support, and organisational support increase in HNB Bank PLC, the greater the positive outcome that can be gained from e-learning.

The current study found a 0.889 strong degree of correlation between perceived self-efficacy and behavioural intention. The findings of Armitage and Conner (2001) suggested that perceived self-efficacy is a useful predictor of intention and behaviour. In the current context it was found to be a strong determinant. The coefficient of regression (β) denotes 0.651, a high level of impact at the 95% confidence level, and is statistically significant (p-value = 0.000). Therefore, the researchers conclude that perceived self-

efficacy is indicated significantly in the research context of HNB Bank PLC in the South-Western region. Finally, a high degree of negative correlation with computer anxiety (-0.702) was found in this study. A high level of computer anxiety has been negatively related to learning computer skills (Barbeite and Weiss 2004). Therefore, the researchers found that reducing the level of computer anxiety is crucial.

As per the findings of the study, there is an 84.5% agreement coefficient of determination for the developed conceptual model. It therefore demonstrates a high level of significance. The predictor variables explain 84.5% of the dependent variable. Thus, the study has identified the factors that impact on the behavioural intention to use e-learning in the HNB Bank PLC in the South-Western region of Sri Lanka.

Conclusions

E-learning in the workplace context is an emerging trend in Sri Lanka in the context of modelling, retaining, enhancing, and training for employee skills. The study discussed in this chapter was conducted to identify why HNB Bank PLC, South-Western region, shows less engagement with e-learning. According to the study, HNB Bank PLC employees require more pervasive impact from the organisation to enhance the usage of e-learning systems. In the perspective of HNB Bank PLC, organisational support, managers' consideration, and job support, can be identified as influencing indicators. In fact, using e-learning is deemed as supplementary, and designed to enhance employee knowledge in general. Therefore, if there is a lack of employee and managers' consideration directly related to the e-learning system, this will be important. Thus, to gain the commitment of banking assistants, the motivation to use e-learning must be enhanced by focusing on job requirements.

Moreover, perceived self-efficacy is deemed to have a positive impact relevance to the learners' viewpoint. Employee attitude is the key determinant factor in enhancing behavioural intention. In this case, the employee has the responsibility of enhancing the quality of service, and their motivation must be uplifted to maintain quality. Moreover, to reduce computer anxiety, the organisation must focus on its e-learning system. However, the materials used for disseminating knowledge as articles may bore readers. Thus, user-friendly materials need to be more focused, since banking assistants use computers daily. Therefore, the researchers conclude that e-learning is an imperative for HNB Bank PLC, to enable it to cater for the updating of its information needs. Thus, more consideration is required from the organisation and employees to enhance their behavioural intention to use e-

learning systems in HNB Bank PLC, South-Western Region.

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CHAPTER TWO

MANAGEMENT INFORMATION SYSTEMS
FOR EFFECTIVE DECISION MAKING
ON THE TOTAL COST OF QUALITY

K.A.P. MEKHALA

UNIVERSITY OF MORATUWA, SRI LANKA

H.C. MUNASINGHE

UNIVERSITY OF MORATUWA, SRI LANKA

A.N. ABEYGUNAWARDENA

UNIVERSITY OF MORATUWA, SRI LANKA

V. PUVANA

UNIVERSITY OF MORATUWA, SRI LANKA

R. K. D. DARSHANA

UNIVERSITY OF MORATUWA, SRI LANKA

K. U. S. SOMARATHNA

UNIVERSITY OF MORATUWA, SRI LANKA

Abstract

Manufacturing organisations are continuously affected by chronic waste and hidden quality costs, resulting in the increased total cost of quality and reduced profitability. However, the existing remedial systems only focus on sporadic waste and visible quality costs, and fail to capture a real picture of the total cost of quality. Therefore, the severity of issues is often unidentified by organisations, and no preventive actions are triggered for continuous improvement. This chapter focuses on developing a reliable quality costing system for knitted fabric manufacturing organisations, in which all dimen-

sions of prevention, appraisal, internal and external failure costs are encompassed, and the achievement of an organisation's quality objectives and long-term success through proper identification, monitoring, analysis, and reporting of quality costs is captured, thereby facilitating management decision making to understand the 'total cost of quality'. The comprehensive literature survey provided here depicts the nature of chronic and sporadic waste, distinguishes between visible and hidden costs, categorizes cost elements, analyses quality costs, reveals the real impact of quality costs on organisational performance, and identifies the strategy for managing the total cost of quality. Initially, a detailed process study was conducted to identify all the cost elements, categorize their impact, and to define the method of quantifying such cost elements. Collected quality cost data was analysed, and the impact of cost of quality (CoQ) on organisational performance was identified. Finally, a Microsoft Excel-based system was developed to produce useful management information, which includes cost distributions, trend analysis of cost categories, and key cost elements, highest cost elements, and a monthly cost of quality report.

Keywords: Chronic waste, hidden costs, quality costing, total cost of quality.

Introduction

In a globally competitive market, manufacturers are forced to design and manufacture highly reliable and quality products with competitive pricing to fulfil customer expectations. To achieve this objective, robust and reliable quality management systems should be in place (Gryna 2001, 11). Money is the common language of the top management of a company. If financial figures on quality costs could be generated, information on major quality failures, the financial significance of quality failures, areas of poor performance and possible opportunities for quality improvement would be communicated to top management efficiently and effectively (Juran 1999, 8.2). Therefore, when assigning monetary values to quality issues, it is important to emphasize the severity of the issues. Inefficient quality management systems will have a negative impact on organisational objectives and lead to additional cost of quality, while strategically-designed quality management systems, focusing on customer satisfaction, reduced cost and increased profit, will overcome global competition, attract business opportunities, and ensure long-term business success.

Sri Lankan knitted fabric manufacturing organisations are affected by chronic waste and hidden quality costs in their manufacturing processes,

leading to higher total cost of quality and reduced profitability. Companies are worried about the high number of customer complaints, internal process inefficiencies, and failures, caused by the lapses of existing quality management systems (QMS), which deprive them from achieving their organisation's quality objectives. To improve quality, an organisation must understand the costs associated with this criterion, since the objective of continuous improvement programs is not only to meet customer requirements, but also to do so at the lowest possible cost. This can only be achieved by systematically managing the costs needed to achieve quality, and as well as identifying and eliminating non-conformance. The reduction of these costs is only possible if they are identified and measured (Vaxevanidis 2009).

However, insignificant emphasis is given to 'chronic waste' and 'hidden quality costs' within the textile industry. Existing QMSs have failed to quantify such chronic waste, as most of the organisations have no proper mechanisms to capture such quality costs (Plunkett 1999). Therefore, the severity of the situation is unidentified, and not known by companies. Hence, the initiation of preventive action to improve the current situation will never be triggered, and companies will continue to experience the repercussions of poor customer satisfaction and internal process inefficiencies, which are reflected in the form of increased 'total cost of quality', and reduced profitability. The identification, monitoring, analysis, reporting, and facilitating management knowledge of the cost of quality, chronic waste, and hidden costs, will be an opportunity for significant quality improvement in knitted fabric manufacturing organisations. Therefore, the need for a proper quality costing system, enabling effective decision making, is strongly felt when seeking to ensure continuous quality improvement. Hence, the research project reported on in this chapter was aimed at developing a reliable quality costing system, to facilitate the management decision-making process of a knitted fabric manufacturing organisation, to ensure quality improvement through proper identification, monitoring, analysis, reporting, and thereby facilitate management of CoQ, leading to a reduction in the total cost of quality.

Literature Review

The cost of poor quality can be defined as the financial loss caused by non-conforming products, services, and processes whose quality objectives are unattained. The total cost of quality is the cost incurred to ensure customer satisfaction by means of providing products and services with required level of quality (Gryna 2001, 19). Total CoQ is the sum of the total of the cost of non-conformance (CONC) and the cost of conformance