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Implementation of TQM in Real Estate Development Firms

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Abstract—The quality management in a real estate development firm should include the quality management of agent services as well as construction activities. Total Quality Management is a quality management system which pursues excellence in customer satisfaction through continuous improvements of products and process by the total involvement and dedication of everyone involved in the process or the products. Thus, it can be effectively implemented in management of real estate development firms by giving due considerations to client’s expectations and management of construction activities. In this paper we have proposed some important critical success factors for managing construction activities and certain features of agent services vital for real estate consumer’s satisfaction.

Keywords—TQM, CSF, Agent services

I. INTRODUCTION

Real estate in India continues to be a favoured destination globally for investors, developers and non-resident Indians (NRIs), driven largely by investor-friendly government policies and increasing globalization. Once restricted to bigger cities, it has shown marked progress in smaller cities too. The second largest employment generation sector after agriculture, real estate contributes about 6.3 percent to India’s gross domestic product (GDP). The foreign direct investment (FDI) in the sector is expected to touch US$ 25 billion (1522.5INR billion) in the next 10 years from its current US$ 4 billion (27.6INR billion). The sector’s progress is driven by factors such as rapid urbanization, a growing trend towards nuclear families, positive demographics, rural–urban migration, ever-developing infrastructure, higher income levels and housing demand. The real estate sector in India is witnessing rapid growth in the residential, commercial and industrial segments.

Keeping in view the globalization of economy and quality consciousness, the real estate sector has to achieve quality standards as per client’s expectations to ensure their position in the highly competitive national market and emerging international market.

TQM being a management philosophy which primarily addresses needs and expectations of the customer may be used for quality management in real estate development firms.

II. RELEVANCE OF TQM TO REAL ESTATE MANAGEMENT

The British Standards (BS4778) defines TQM as:

A management philosophy embracing all activities through which the needs and expectations of the customer and the community and the objectives of the organization are satisfied in the most efficient and cost effective way by maximizing the potential of all employees in a continuing drive for improvement.

Total Quality Management is a quality management system which pursues excellence in customer satisfaction through continuous improvements of products and process by the total involvement and dedication of everyone involved in the process or the products (Chase et al., 2001; McAdam and Kelly, 2002). When applied effectively, TQM enables a company to improve long-term relationships, create a harmonious team spirit, enhance professionalism and skills in all spheres of the business sector, encourage open addressing of problems and help to achieve the intended project objectives and benefits (Low and Peh, 1996). Other benefits to be gained from TQM implementation includes improved clients, consultants and supplier relation, reduced “cost of quality”, on time and within budget project completions, reduction in delays in construction works, and increased profit (Love et al., 2000).

The quality management in a real estate development firm should include the quality management of agent services as well as construction activities. The application of TQM in service industries is more difficult than in manufacturing industries because of the intangible nature and immediate consumption of the product (Heskett, Sasser and Hart, 1990; Heskett, Sasser and Schlesinger, 1997; and Fitzsimmons and Fitzsimmons, 1998). The emphasis in service industries tends to be on the processes of the organization that deliver the services the organization sells.
For the most part, the application of TQM in the residential real estate business means addressing the quality of agent services delivered to the customers and clientele of the residential real estate firm. In TQM terms, the quality of agent services is driven by the process through which these services are delivered. This process is largely determined by the type of agency relationship, if any, established with the customers and clients of the firm. It is the agency area that will naturally receive the greatest scrutiny as TQM principles find their way into this industry.

Real estate agency has been categorized as a service sector industry and all service businesses must respond to consumer expectations, hence the need for real estate agents to understand their consumers’ expectation in order to have satisfied consumers. The study carried out by Araloyin, F. M. and Olatoye O revealed the areas in which real estate agent pay more attention to and areas they considered to be less important. The study observed that real estate consumers value these areas and they want service quality provided in these areas. These include “courtesy”, frequent communications”, “provided service as promised”, “exact time services would be performed”, and “personal attention (Araloyin, F. M. and Olatoye O., 2011) The construction industry differs from the manufacturing industry where TQM has proven its effectiveness, in a way that makes the introduction of TQM more challenging. While the manufacturing industry is characterized by a steady-state process, the construction industry is a one-time process. The construction industry is unique for the following factors: (1) the mobility of labour, (2) diversity in the types, forms and shapes of construction projects, (3) geographical dispersion, (4) the contractual relationships, (5) the susceptibility to weather, and (6) the fact that almost every job is a prototype.

III. IMPLEMENTATION OF TQM: CRITICAL SUCCESS FACTORS

Today, there are more than a hundred quality awards existing in different countries. However, all these quality awards are basically derived from three basic and prestigious awards: the Malcolm Baldrige National Quality Award (MBNQA), the European Quality Award (EQA) and the Deming Prize. This study, therefore, includes only these three basic awards as TQM frameworks along with other frameworks developed by scholars. Furthermore, through the study of TQM literature, eleven TQM frameworks developed by researchers have been selected. In total, fourteen important TQM frameworks viz. Deming prize, MBNQA, EQA, Saraph et al., Oakland, Flynn et al., Babbar and Aspelin, Ahire et al., Black and Porter, Pheng and Teo, Ang et al., Zhang et al., Nwabueze and Thiagarajan et al., were chosen from the TQM literature for the purpose of establishing TQM CSFs for the construction industry. A detailed analysis of the frameworks with respect to CSFs is carried out and based on the frequency analysis, the CSFs are prioritised as shown in Fig:1 (Bhimaraya A. Metri, 2005).

The frequency bars in Fig 1 revealed that the two critical factors i.e. process management and customer satisfaction which are very important criteria from client’s point of view have been given top priority. Education and training, top management commitment, supplier quality management, employee empowerment and involvement and information and analysis which are vital for construction management fall in higher frequency range.

IV. CONCLUSION

The real estate development differs from a manufacturing industry and at the same time it can not be dealt with solely as a construction company.
The real estate developer has to manage the quality in services provided by the agent and also in construction activities. The adoption of TQM philosophy with due focus on CSFs of process management, customer satisfaction, Education and training, Top management commitment, supplier quality management, employee empowerment and involvement, information and analysis and at the same time taking care of courtesy, frequent communications, provided service as promised, exact time services would be performed, and personal attention will have positive impact on quality management of a real estate development firm.

REFERENCES
