Quality Orientation, Quality Management Tools & Techniques and Firm Performance: A Review

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Abstract: A review of literature on Quality-Orientation (QO) and Quality Management Tools & Techniques on Firm Performance (FP), it identifies the importance of usage of each principal of Quality Orientations and Firm innovativeness by usage of emerging technology for consistent firm performance. We also review the generalizability of Quality Management Principles (QMP) as mediating and moderating constructs on Firm Performance. This study identifies the gaps in usage of quality tools & techniques in a Firm. We also reflect the generalizability of usage of tools and Techniques. Quality tools & techniques and firm innovativeness positively influence firm performance. Future implications on Firm Innovativeness on firm performance for further research.

Keywords: Quality Orientations, Quality Management Tools and Techniques, Firm Performance

1. Introduction


Quality Management Principles implementation requires specific tools and techniques for an organization to achieve better performance. The quality tools and techniques are in many statistical and management forms and are applicable in every aspect of business (Pyzdek, T.2003). Quality tool usage being used in reality and or superficially studied with respect to Quality Orientation (Clegg, Rees and Titchen 2009). There are attempts to study Impact of Tools but from training effectiveness only (Elshaer, Augustyn 2016) not from impact on firm performance perspective. It is also evident Quality Management is not practiced widely or successfully in the service sector (Clegg et all 2009).

This study also observed that there is an Innovation tools dimension which influences firm performance (Horng, Tsai 2012). The assessment of the influence of TQM on innovative performance is essential and an effective tool for figuring out innovative performance of the firm (Prajogo & Sohal, 2006). Emerging technologies like Artificial Intelligence (AI) to predict exactly what customers want, competitors will inevitably figure out how it works. If firms do not utilize it, will probably go out of business given its superiority to predict customers’ wants (Makridakis 2017). Firm’s Innovativeness, intent to innovate and development accentuates new ideas and the propensity for change within a firm.

Firms that have greater innovation-related needs and abilities are expected to exhibit a greater amount of innovative activity (Robert G. Fichman 2004). Guidance to managers on the question of “whether, when, and how to innovate” is the key for better performance (Swanson and Ramiller, 2004). In an effort to accomplish good performance, firms should embrace both innovation and quality principles (Arshad, Wang, Su, (2016). There is a dearth of theory explaining how the technology unit of a firm could contribute to the firm’s performance (Tarafdar & Tanriverdi 2018).

Firm Performance is impacted by Quality Orientation of a firm. Firm performance is confined to quality management, Innovative capacity (Atkinson et al., 1997). The competitive requirements for Firm Performance are the usage of Emerging Technologies for Innovations as: bigdata, algorithmic decisions and operational excellence (Makridakis 2017) it is one of the Quality Management principles. Emerging technologies usage over and Above Quality orientation will bring revolutionary changes to the business environment. The successful firms during the AI revolution will oversee evaluating and exploiting AI technologies to gain the most out of their implementation in all aspects of the firm.

Objective

Prior research reflects that Quality Orientation (QO) is defined as organizations proclivity towards QM Principles. Details of tools to be used for each QM principle of QO is not sufficiently studied, there is an opportunity to add to the
body of knowledge. If the Tools have been studied, they have not been studied with respect to Quality Orientation for Firm’s Performance (Mehra, Joyal, Rhee 2011; Clegg 2009; Abd-Elwahed2018). Very less or limited study has been done to compare all dimensions of QM Tools and Techniques effectiveness on Firm Performance. Example: Correlation of Learning, Usage, Implementation and Impact as Independent variables of QM Tools and Techniques can reflect on organizational focus on Firm Performance, in other words, essentials to be concentrated then trivial many Tools and Techniques for better performance.

SMEs contributes to economic and social transformation of a nations and it is known that leveraging information technology can facilitate their continued growth and development (QEDC, 2004). Previous researchers reflect limited attention to Entrepreneurial Orientation, Market Orientation and TQM in the SMEs; a lot of opportunities still abound to extend theoretically and empirically the literature on EO, MO, TQM and SMEs performance (Gamal, Haim, Abdullahi, Hassan 2017). In the below model (Pic01) QO to Firm Performance has been studied in length, however QO from QM tools and techniques for firm performance is insufficiently studies. To be relevant in the competitive market effect of Emerging technologies for Innovation also need to be tested on Firm Performance.

2. Literature Review

What is Quality Orientation?
The quality orientation (QO) is a construct that describes an organizational philosophical commitment for developing and maintaining a competitive advantage, based upon a quality focus. (Miles, Russell, Arnold 1995). Quality Orientation (QO) is also defined as organization wide proclivity on Continuous Improvement (CI), Teamwork, Customer Value (Mohr-Jackson, 1996; Kaynak, 2003). Total quality orientation is the organization-wide commitment to continuous improvement for delivery of customer-perceived quality and ultimately customer satisfaction (Mohr-Jackson 1998). QM literature does not provide accepted definition of QO (Heine, Schmitt, Beaujean (2016). The culture driven in a firm is the construct of Quality Orientation.

Why Quality Orientation?
It is imperative to study what other attributes constitutes Quality Orientation and within variables of Continuous Improvement (CI), Teamwork, Customer Value. In-turn how does it affect an organization performance. Post research of most cited and papers from year 1995 to 2017, different dimensions have been studied by researchers on QO. It is imperative to adopt QO constructs and re look at the relevance of QO in service SMEs’. It varies indifferent researches as depicted in table01.

Attributes of quality orientation are defined as customer focus (Miles, Russell, Arnold (1995), (Malhotra, Lee &Usley 2012) continuous improvement (CagriBulut (2017); Malhotra, Lee, Usley 2012); Heine, Schmitt &Beaujean (2016); Miles, Russell & Arnold (1995); Kaynak (2003), team work (CagriBulut 2017). Minimizing Process Variation, Focus on Quality Improvement, TQM Culture, top management commitment (Mokhtar, Sanuri-Mohd&Zien 2010), process quality management, quality design of a new product performance (Mokhtar, Sanuri-Mohd&Zien 2010). Reducing variation in operational processes and routines, commitment to continuous improvement, reduction cost objectives, reduction in cost measures, internal customer focus, external customer focus, continuous improvement (CI), orientation system thinking perspectives (Heine, Schmitt &Beaujean 2016), being “data driven organization, value” (Achrol, R. s 1991), Heine, Schmitt, Beaujean (2016), continuous improvement and innovation (Cravens, Hills & Woodraff 1987), being proactive (Crichton 1992), innovative performance of an organization is main component of QO (CagriBulut 2017). A systems perspective that explicitly considers external costs (Miles, Russell & Arnold, 1995). Organizational commitment to maximize long term value and stakeholder satisfaction by constantly reducing the product related losses to society (Miles, Russell, Arnold (1995). System perspective (Malhotra, Lee, Usley 2012). Leadership, customer/supplier focus and relations, employee relations, product/process management, continuous improvement and teamwork (PK Ng, GG Gan Goh, UC Eze 2009), internal operations to increase value to customers (PK Ng, GG Gan Goh, UC Eze 2009). Quality Management of organizations deals with satisfying current customers by using “teamwork” (Hoegl, 2005). Above literature clearly states there these are part of Quality Management principles.

At what stage of supply chain Continuous Improvement (CI) tools are used. Details of which tools used at its impact is insufficiently studied. CI impact on project performance in turn firm performance is the key. There is no explicit reference available on orientation of an organization on Continuous Improvement tools under Quality Management.

Constructions of Quality-Orientation (QO)
QO constructs as studied in prior research are customer Focus, continuous Improvement, teamwork (CagriBulut 2017), QO is to minimize variation in organizations processes (Sethi and Sethi 2009), focus on quality improvement including TQM is termed as Quality Orientation (Sethi & Sethi 2009), new product performance (Mokhtar, Sanuri-Mohd & Zien 2010), top management commitment, process quality management, quality design with new product performance. Reducing variation in operational processes and routines (Malhotra, Lee, Uslay 2012), “Organization wide commitment to continuous Improvement in delivery of customer-Perceived quality” (Deming 2000, Oliver 2009), “reduction cost objectives considered as direct way to influence profitability” (Raju abd-Lonial 2002) and reduction in cost measures (Macedi, Liao, Pinho 2017).

QO constructs are also defined as, having internal customer focus and external customer focus, continuous improvement orientation system thinking perspectives and being a data driven organization (Hein, Schmitt &Beaujean 2016). Quality Orientation refers to the organizational wide proclivity on Continuous Improvement and coordinated teamwork and considers the Customers as the ultimate value of the organization (Mohr-Jackson, 1996; Kaynak, 2003).
One new variable of QO, quality tools was found and investigated by an author, was quality tools applied on new product performance is important for the firm (Mokhtar, SanySanuriMohd, Zien 2010). Interestingly reduction in variations of the process is also studied “core thrust of Quality Orientation is on reducing variation in organizational processes and routines” (PK Ng, Goh, Eze 2009). QO constructs are also called critical success factors by Kee-Hung Lai (2003). These are 1) people and customer management 2) supplier partnership, 3) Communication of improvement information 4) Customer satisfaction orientation 5) External interface management, 6) Strategic quality management, 7) Teamwork structures for improvement, 8) Operational quality planning, 9) Quality improvement measurement systems, 10) Corporate quality culture. and business performance: measures and questions:


Prior research indicates that the difference between the customer expectation and customer experience is vital for customer satisfaction and in turn firm Performance. (Parasuraman et al 2000). Quality Orientation can lead to a good process output which will result in customer satisfaction. Answer to the above research question will help us empirically validate the above argument and understand the linkages between Quality Orientation and firm performance. It will also help us reiterate the importance of having a Quality Orientation in progressive enterprises for them to succeed in a competitive market environment.

Quality Management Tools & Techniques
Using implementation tools to design and conduct quality improvement projects for faster and more effective improvement (Ovretveit, Mittman, Rubenstein, Ganz 2017). Quality Management (QM) principles are also studied by researchers as top management leadership, Employee management, Customer focus, supplier management, Quality data and reporting, Process management and innovation, continuous improvement under quality management (QM) practices used correctly, can assure their success to achieve competitiveness for the firm (Clegg et all (2009); Elshaer&Augustyn (2016); Abd-Elwahed (2018). Tools are implemented either rare or not at all (Abd-Elwahed, & El-Baz, 2018), Implementation magnitude of tools & techniques are important for the firm, the degree of the implementation of the tools reveals that only one tool is identified as used frequently is the key performance indicators (KPIs). In addition, the results indicate that the tools supporting design and innovation, such as quality function deployment, design of experiments, Taguchi's quality loss function, simulation, and TRIZ, were placed in the lowest levels of both understanding and implementation (Abd-Elwahed, & El-Baz, 2018). It is necessary, therefore, to increase training in these tools in these industries, especially as there is a relationship between approaches to improvement. It is imperative to review the usage and effect of QM Tools and Techniques on Firm Performance.

The need of Quality Management Tools and Techniques: Quality Management principles implementation requires specific tools and techniques for an organization to achieve success. The quality tools and techniques are in many statistical and Management forms and are applicable in every aspect of business (Pyzdek, T.2003), (Yang, K. and El-Haik, B. S.2009), (Uluskan, M.2016)

Mokhtar et al (Mar 2010) three significant variables defined are Top management commitment, Continuous improvement process and Quality tools were found to have a statistically significant association with new product performance. Abd-Elwahed (2018), selected and studied seventy-four Quality Management tools and techniques from different academic and practical resources (Uluskan, M.2016; Sousa, S. D., Aspinwall, E., Sampaio, P. A. and Rodrigues, A. G.2005; Starzyńska&Hamrol 2013). This was studied for Saudi and concluded, there is a difference in the levels of understanding and implementation of QM tools and techniques. Variable of QO was found and looked into by an author, was quality tools applied on new product and process performance (Mokhtar, SanySanuriMohd, Zien 2010). There should be an increased training on tools, especially as there is a relationship between approaches to improvement and creativity (Zheng, Anh Phan, and Matsui (2015); Kim, Kumar & Kumar (2012).

Another research reflected that there is a difference in the levels of understanding and implementation of QM tools and techniques (Elshaer&Augustyn 2016). Understanding and implementations to be practiced, "Quality management is not practiced widely or successfully” (Clegg et all 2009). Tools being used in railaity and or superficially (Clegg, Rees and Titchen 2009). Continuous Improvement (CI) tools used and details of which all tools used are not sufficiently studied in length, CI impact on project performance in turn firm performance. No explicit reference available on orientation of an organization on Continuous Improvement tools under Quality Management.

Important point we noted: Review of prior research highlights an ambiguity regarding the impact of Quality Management on competitive advantage which in turn leads to firm performance: 1) There is no direct relationship between Quality Management concepts and therefore quality management as such is not a source of competitive advantage (Flynn et al.1995; Kaynak 2003), 2) Quality management programs have to be implemented comprehensively to generate competitive advantage (Douglas and Judge, 2001), 3) Only some quality management practices are positively associated with competitive advantage. Organizations may not need to focus on all practices to achieve competitive advantage (Powell, 1995; Dow et al., 1999). Empirically validating the effect of
QM Tools and techniques on the influence of Quality Orientation on firm performance will help us clear this ambiguity.

Prior research indicates, there should be an increased training on tools, especially as there is a relationship between approaches to improvement and creativity (Zeng, Anh Phan, and Matsui 2015), (Kim, Kumar V. and Kumar U.2012). Without knowing the impact of QMTT for each QO construct of the life cycle of a service, it is difficult to generate consistent results. Measuring impact of the tools and techniques used can help firms to predict their performance and in-turn can lead to continued firm performance.

**Firm Performance**

Firm performance has been defined by different research with different parameters. Return on Quality, Customer Satisfaction, Long term Profits, Financial rations (Miles, Russell, Arnold 1995), Superior firm performance (Malhotra 2012); Kohli and Jaworski (1990); Pande et al. (2000), (Deming 2000); Taguchi et al. (2004), Competitive advantage (Pande et al. 2000); Taguchi and Clausing (1990). Firms’ long run success comes from creating shared value of services that advance the competitiveness of the firm, and simultaneously advance the economic and social conditions of the communities (Porter and Kramer 2011; Malhotra 2012).

Atalay, Anafarta & Sarvan (2013), stated firm performance is a multidimensional concept also by Murphy et al. (1996), what indicators can be departmental, such as pertaining to production, finance or marketing (Sohn et al., 2007), or consequential such as pertaining to growth and profit (Wolff &Pett, 2006). It can be measured with objective or subjective indicators (Dawes, 1999; Harris, 2001). There are subjective measures of performance from Venkatraman (1989) were adopted because of the difficulty of gathering hard financial data from private companies, in the absence of any publicly available objective data which includes the firms in the sample (Prien et al., 1995; Sapienzaet al., 1988). The performance indicators suggested by Venkatraman (1989) measures performed relative to those of the relevant competitors.

Successful performance of a Firm also studied as, it is dependent on business orientation, and is defined as market orientation, sales orientation, entrepreneurial orientation and quality orientation (Miles 1995). Customer focus and continuous improvement are key strategy lever of quality to create better values for customers and ultimately superior financial performance (Russell, Arnold 1995).

Increasing competition and disruption in an international market, makes service firms to think about which Innovative technologies and Quality Orientation approaches to be used to improve their Customer Experience. The moving gap between Customer perceptions and expectations is a direct measure of the quality of service as experienced by the customer (Parasuraman 1988). It will also help improve managerial decision making for consistent service delivery, relevant QM Tools and Techniques to be employed and innovative use of emerging technologies to foster organizational growth and in turn firm performance.

Small and Medium sized Enterprises (SMEs)

There are variety definitions of SMEs across the world. Defining SME is a challenging task, as every country has its own definition for a SME. Hasim and Wafa (2002) highlights that this gets further complicated by definitions that varies from country to country and within country as well. For instance, country like India, as per Micro, Small and Medium Enterprises Development act 2006. Enterprises are categorized as micro units, small units, medium units and large units depending on the investment in plant and m/c (Paramasivam&Maresilvan 2013). Firm size is readily available, and managers easily find and share the information on employee size (Pattern 1991; Mohd Osama, 2011; Karagözoglu& Lindell (2004) defined business with 0-99 as small biz, (Bajwa and Lewis 2003) small and medium as 100 and 100-499 respectively, Saffu et al (2008) defined in Ghana as 200 as SME. (Iftino 2011), defined it as less than 500 in Canada. For the purpose of the above study, SME is defined as a firm with less than 500 employees, it is also consistent with prior research above (Vishnupriya 2015).

3. Conclusion

In this study we examined the literature available on quality orientation, firm innovativeness, firm’s intent to innovate, does firm use any emerging technology to prove to be quality oriented, does the firm innovate for better quality of service, and are relevant to the performance of the firm.

1) Answer to the above research gaps will help us empirically re-validate the above argument and understand the linkages between Quality Orientation and firm performance. It will also help us reiterate the importance of having a Quality Orientation in progressive firm for them to succeed in a competitive market environment.

2) We found an ambiguity regarding the impact of Tools used for Quality Orientation for competitive advantage and relation to firm performance. Empirically validating the effect of tools and its influence of Quality Orientation on firm performance will help clear this ambiguity.

3) Measuring impact of the tools of Quality and Innovativeness techniques used can help firms to predict their performance and in-turn can lead to better performance results.

References


