

Competitive priorities and managerial performance: a taxonomy of small manufacturers

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Abstract

Much of the research in manufacturing strategy has focused on specific relationships between a few constructs, with relatively little emphasis on typologies and taxonomies [Bozarth, C., McDermott, C., 1998. Configurations in manufacturing strategy: a review and directions for future research. *Journal of Operations Management* 16 (4) 427–439]. Using data from 196 respondents in 98 manufacturing units, this study develops a taxonomy of small manufacturers based on their emphasis on several competitive priorities. The annual sales for 64% of the participating units in this study are below US\$50 million, which is on the lower side as compared to other studies in this area [cf., Miller, J.G., Roth, A.V., 1994. A taxonomy of manufacturing strategies. *Management Science* 40 (3) 285–304]. The study findings indicate that different groups of manufacturers — Do All, Speedy Conformers, Efficient Conformers, and Starters — emphasize different sets of competitive priorities, even within the same industry. Further, the Do All types, who emphasize all four competitive priorities, seem to perform better on customer satisfaction than their counterparts in the Starters group. The above findings lend support to the sandcone model but contradict the traditional trade-off model. © 2000 Elsevier Science B.V. All rights reserved.

Keywords: Manufacturing strategy; Taxonomy; Competitive priorities; Sandcone model

1. Introduction

Manufacturing strategy is an area of growing interest to academics, and a top ranked strategic issue for manufacturing managers (Malhotra et al., 1994). Bozarth and McDermott (1998) observed that much of the research in this area had focused on specific relationships between a few constructs, with relatively little emphasis on typologies and taxonomies. With some notable exceptions, there are little empirically derived taxonomies that character-

ize manufacturers by manufacturing task or competitive priorities, such as quality, delivery, flexibility, or cost. Using data from the 1987 Manufacturing Futures Project Survey, Miller and Roth (1994) identified three strategic groups of manufacturers with similar manufacturing tasks, which they labeled caretakers, marketers, and innovators. They also observed differences among groups with regard to the improvement programs emphasized (zero defects, new product introductions, etc.), and the importance placed on several performance measures (outgoing quality, headcount, number of grievances, etc.).

Youndt et al. (1996) cluster-analyzed 97 manufacturers across four manufacturing strategies orientations (quality, delivery flexibility, scope flexibility,

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and cost), while examining the moderating effect of different manufacturing strategies on the human resource systems–performance relationship. Though their main objective was not to develop or test any taxonomy of manufacturing strategy, their findings have a bearing on this research stream. Their analysis yielded five groups of manufacturers, which they labeled by the emphasis on corresponding manufacturing strategies, as follows: (1) quality emphasis, (2) cost and quality emphasis, (3) cost, quality, delivery flexibility and scope flexibility emphasis, (4) quality and delivery flexibility emphasis, and (5) no strategic emphasis (p. 855). They, however, did not find these strategy clusters to have any direct impact on manufacturing performance as captured by self-reported measures of product quality, employee productivity, on-time delivery, equipment utilization, etc.

The lack of performance differences among clusters in the Youndt et al. (1996) study could be explained using the equifinality argument that different organizations could pursue different strategies and be equally effective (van de Ven and Drazin, 1985; Bozarth and McDermott, 1998). Further, the findings of Youndt et al. (1996) and Miller and Roth (1994) are not directly comparable since, among other things, the former examined the relationship between cluster membership and a unit's performance, whereas the latter examined the relationship between cluster membership and the perceived importance of various competitive dimensions. The findings of the two studies, however, are conflicting enough to warrant further investigation. This study is a step in that direction.

2. Research propositions

Anticipating the development of new competitive dimensions, and the formation of new manufacturing strategic groups, Miller and Roth (1994) encouraged researchers to test the taxonomy over time and in different settings. The dynamic nature of competitive priorities (Corbett and Wassenhove, 1993), and an ever-increasing consensus on manufacturers' ability to simultaneously emphasize multiple competitive priorities (Ferdows and De Meyer, 1990; Noble, 1995; Hayes and Pisano, 1996; Clark, 1996; Kathuria, 1997), are added incentives for reexamining the is-

sue. About a decade after the data in the Miller and Roth (1994) study was collected, the time seems ripe to reexamine the clustering of manufacturers across several competitive priorities. Further, it would be interesting to see if the patterns observed among large manufacturers in Miller and Roth's study would be prevalent in relatively small manufacturers in a cross-section of industries.

Accordingly, the purpose of this study is to examine if units differ across the competitive priorities emphasized. If so, are these differences, in any way, explained by any contextual factors, such as industry membership, or reflected in their manufacturing performance? Fig. 1 presents a model of contextual factors and performance criteria associated with competitive priorities emphasized.

The conceptual model in Fig. 1 includes four widely accepted competitive priorities in the manufacturing strategy literature — cost, delivery, quality and flexibility (cf., Ward et al., 1995). The model suggests that the relative emphasis of various manufacturing units on these competitive priorities is likely to be associated with contextual variables, such as industry membership. Further, it is expected that manufacturing units placing a relatively high emphasis on a group of priorities will perform better on the corresponding performance criteria — efficiency, timeliness, customer satisfaction, etc. The above conceptualizations are stated below in the form of three propositions.

Proposition 1. *Manufacturing units can be classified into different groups based on their emphasis on competitive priorities: Cost, Flexibility, Quality, and Delivery.*

Proposition 2. *The group orientation — competitive priorities emphasized — is associated with industry membership.*

Proposition 3. *Depending upon the orientation of the groups identified above, the groups will perform better on different sets of performance criteria.*

This study tests the above propositions as follows. First, it identifies groups of manufacturers who perceive a similar emphasis on multiple competitive priorities in different industries. Second, it examines

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