An application of Thompson’s typology to TQM in service firms

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Received 1 January 1999; received in revised form 1 March 1999; accepted 1 August 1999

Abstract

This work is based on the premise that service firms are different. The involvement of customers in the provision of services not only creates an uncertainty that makes service organizations different from manufacturing firms, but, within the broad classification of service organizations, they can also be different from each other. In line with previous research on service firms, we use Thompson’s [Thompson, J.D. (1967). Organizations in action. New York: McGraw-Hill] typology of interdependence (pooled, sequential, and reciprocal) as a useful framework for addressing those differences. We deduce that components of TQM content and TQM process should vary according to an organization’s degree of interdependence if output uncertainty, expressed in terms of service quality, is to be minimized. Thus, the success of TQM in service organizations is dependent upon the fit among interdependence and the strategy’s content and process. © 2000 Elsevier Science Inc. All rights reserved.

Keywords: TQM; Service firms; Typology of interdependence

In 1996, service activity in the US economy accounted for some 68% of gross domestic product (Statistical Abstract of the United States, 1998). That figure jumps to 81% if government activities are included. In that same year, services employed over 71% of the workforce (nearly 86% including government) and, by 2006, the figure is expected to climb to more than 74% (over 88% including government). Yet, amazingly, the vast majority of
management theory remains firmly tied to traditional manufacturing activities, and a great deal of empirical research focuses on the Fortune 500 industrials. Although TQM research does a more convincing job of acknowledging the importance of services (e.g., Attaran & Fitzgerald, 1995; Dotzour & Lengnick-Hall, 1996; McCarthy, 1991; Partlow, 1993; Sandelands, 1994; Seath, 1993; Shortell et al., 1995; Singer et al., 1993; Sohal, 1994) than the broader management literature, it is still, in the main, conducted within the manufacturing framework. However, the lack of theoretical grounding that has plagued the TQM literature—a problem that is gradually being rectified—is particularly evident in TQM–service research. That is, much of what has been written about TQM in the service sector remains anecdotal and prescriptive (for a more complete review of this literature, and comments upon its atheoretical nature, see Reed & Lemak, 1998). Therefore, the purpose of this research is to help fill these dual voids by building theory for TQM within the service context.

Reed et al. (1996) pointed out that there has been almost exclusive focus on the “process” or “how to” issues in TQM. This point applies to research on TQM in both manufacturing and service. Therefore, we use the following definition of TQM: “We see TQM as a business level strategy, and like any such strategy, its components of process and content, when considered individually, are necessary but not sufficient conditions for success” (Reed et al., 1996, pp. 173–174). Whereas in Reed et al.’s work the discussion was limited to for-profit, manufacturing firms, here we are concerned with the providers of service. Thus, our arguments will apply to both for-profit organizations (banks, insurance companies, airlines, health care providers, and so forth) and not-for-profit organizations (government departments, schools, universities, charities, and similar). When thinking about for-profit service firms, we assume that TQM is used to reduce costs and/or improve revenues. For those organizations in the not-for-profit services sector, we assume that, similarly, TQM is used to increase efficiency and/or effectiveness in the provision of services.

Because the customer is central to the provision of services, and because different types of service demand different types of customer involvement, we contend that TQM cannot be viewed as a generic set of activities that apply equally in all service situations. Rather than simply dichotomize services into high and low contact (Bitran & Hoech, 1990), which would severely restrict our exploration of the TQM–service relationship, we have elected to use Thompson’s (1967) typology of interdependency. This approach fits with Larsson and Bowen’s (1989) interdependency typology that is driven by input uncertainty which consists of two dimensions: diversity in demand for services and by customers’ disposition to participate. Larsson and Bowen argued that the effectiveness of service firms is contingent upon the match (fit) between input uncertainty and the form of interdependence, and upon the match between interdependence and the coordination mechanisms used by firms. Within the context of TQM, our work extends Larsson and Bowen’s contingency model of service organizations. Where they considered input uncertainty, interdependence patterns, and coordination mechanisms, we look at interdependence, coordination (in the form of TQM), and output uncertainty (see Fig. 1). Larsson and Bowen’s arguments on the need for a match between input uncertainty and interdependence are still valid in the case of TQM and do not need repeating in this work, so our model starts at the interdependence stage (i.e., Thompson’s typology). However, where Larsson and Bowen’s coordination
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