



# TOTAL QUALITY MANAGEMENT AND THE BALANCED SCORECARD APPROACH: A CRITICAL ANALYSIS OF THEIR POTENTIAL RELATIONSHIPS AND DIRECTIONS FOR RESEARCH

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Total quality management (TQM) practices have been implemented by firms interested in enhancing their survival prospects by including quality and continuous improvement into their strategic priorities. Using financial and non-financial measures, the balanced scorecard (BSC) approach appraises four dimensions of firm performance: customers, financial (or shareholders), learning and growth, and internal business processes. This paper attempts to establish a link between these two approaches and in so doing it identifies future research opportunities in relation to these two approaches. The paper suggests that TQM does not consider employee satisfaction in its search for continuous improvement, but the BSC does consider employee satisfaction. Therefore, by adopting a BSC a firm that has adopted TQM will overcome this oversight which will in turn increase employee satisfaction and subsequently firm performance. These issues are assessed from the managerial and critical literatures. The final part of this paper identifies research issues into the nature, impact and value of the TQM–BSC “fit”.

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## Introduction

Total quality management (TQM) is a set of management concepts and tools that aims to involve managers, employees and workers to yield continuous performance improvement (Hogg, 1993; Tuckman, 1994; Powell, 1995; Boaden, 1997). Using financial and non-financial performance measures, the balanced scorecard (BSC) approach focuses on a set of integrated strategic management ideas which appraise organisational performance from four dimensions: customers, financial

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(or shareholders), learning and growth, and internal business processes (Kaplan & Norton, 1996, 2001). Perhaps the key idea of both TQM and BSC is to synchronise strategy, vision, operations, and employees. This article attempts to establish a link between these two concepts and, in so doing, it identifies research opportunities in relation to these two concepts. This linkage has not been explored previously in the research literature.

This article essentially builds on the managerial and critical literatures to provide “new” insights on the justification of the relationship between TQM and BSC. Drawing on the managerial literature, I argue that an organisational BSC is a natural follow up to the use of TQM principles. From a critical stance, the article addresses the following questions: Who will benefit from this “good” fit? Who will be worse off? For example, can this fit increase stress and reduce employee and workers’ morale? The aim of this article is therefore to critically evaluate the extent to which the ideas and approaches of TQM and BSC are relevant to organisational effectiveness.

This article makes a meaningful contribution for several reasons. First, the paper is developed as part of the broadening of organisational performance evaluation beyond a myopic financial bottom-line focus. Second, in the light of insights from managerial/contextual theory, the article argues that introducing BSC is a pragmatic means of countering the depersonalisation of corporate life induced by many accounting and management control tools (for example, introducing a respect for factors such as learning and growth, customers). Third, the paper articulates linkages between action and measurement (e.g. TQM strategy and BSC measurement); it focuses on relationships—so often ignored in critical accounting literatures (e.g. relationships between planning/control systems, strategy and outcomes, suppliers—organisation—customers, control systems—people at work). As Daft (1989) maintains, an organisation is a social entity that (a) has a purpose, (b) has a boundary so that some participants are considered inside while others are considered outside, and (c) patterns the activities of participants into a recognisable structure. There is a requirement for decision-making about the processes (the means) by which the goals (the ends) are achieved (Silverman, 1970; Dawson, 1994; Senior, 1997), and systems (e.g. the BSC) provide information for decision-making and evaluating strategic initiatives (e.g. TQM strategy). Fourth, from managerial/organisational context literature relating to scale of activities, organisational tasks, environment, organisational strategy, and organisational management’s competence, the paper takes the view that organisations are social arrangements for the controlled performance of collective goals (Huczynski & Buchanan, 1991; Ezzamel, 1994). Finally, from a critical perspective, the article takes a view that although TQM is effective in some contexts from an organisational point of view, it may not be a good philosophy for employees and workers at work. However, the BSC does consider employee satisfaction. The following sections further elaborate these issues.

### **A Conceptual Model of the TQM–BSC Linkage**

In discussing the benefits of aligning TQM practices with management accounting systems, Shank and Govindarajan (1994, pp. 16–17) remark, “Whichever approach

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