

Soft TQM, hard TQM, and organisational performance relationships: an empirical investigation

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Abstract

TQM literature suggests that hard TQM has a profound impact on organisational performance. However, most empirical studies have examined the impact of each dimension of TQM on performance separately. We argue that it is more appropriate to investigate the direct impact of soft TQM on the diffusion of hard TQM, and then assess the direct impact of hard TQM on performance. Analysis of 261 Australian manufacturing companies revealed significant positive relationships between soft TQM and hard TQM elements. In addition to direct affects, soft TQM also has an indirect affect on performance through its effect on hard TQM.

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1. Literature review and hypotheses

Empirical studies which have examined the relationship between total quality management (TQM) and organisational performance have investigated the impact of each dimension of TQM on performance separately [1–4], as illustrated in Fig. 1. These studies have indicated that only a handful of the soft aspects of TQM (i.e., ‘human factors’ like commitment, team work and so on) contribute to organisational performance. Our contention is that soft TQM actually plays a number of roles. One is to create an environment where seamless diffusion and implementation of hard TQM can take place, and the other is to directly affect organisations’ performance in the same way that traditional human resource management (HRM) practices can impact on an organisation [5]. Thus, we suggest that the previous attempts to identify the relationships between elements of TQM and

organisational performance are not fully appropriate. In this study we propose a more logical approach to study these relationships, as shown in Fig. 2. Other researchers who support our contention are Hart and Schlesinger [6], Bowen and Lawler [7] and Kochan et al. [8]. According to Kochan et al. [8], TQM can be viewed in one of two ways. The first approach conceptualises TQM as a limited set of technical tools (such as statistical process control and Pareto analysis) while the second approach views TQM as part of broader changes to human resource (HR) practices. Through examining computer, automotive, health care and banking industries in four countries, they found that the use of hard TQM tools tends to be more profound in companies that adopt strategies to increase stakeholder commitment and incorporate the views of employees in decision making processes. Fig. 2 hypothesises that soft TQM will affect elements of hard TQM, in addition to having a direct impact on performance. For simplicity, this does not show all direct and indirect paths expressed by the model. In this paper, we look at the six elements of soft TQM examined by Dow et al. [2] and the four elements of hard TQM adopted by Power et al. [9]. Organisational performance is expressed in the seven

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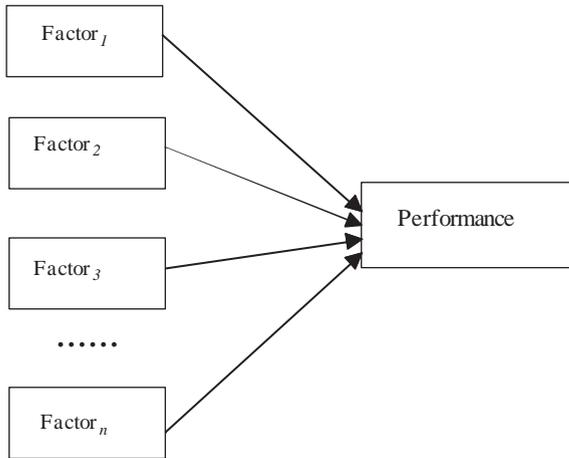


Fig. 1. Effects of the elements of TQM on performance as individual factors.

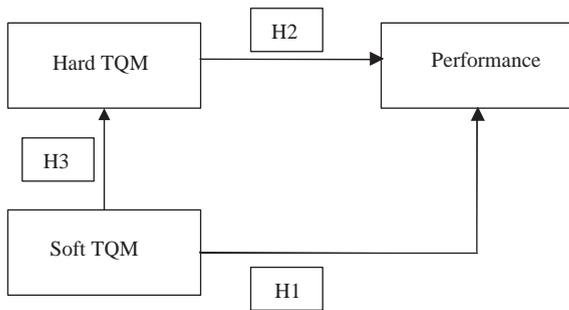


Fig. 2. Proposed model: effects of soft and hard TQM on performance.

variables used by Samson and Terziovski [3]. These items are discussed in greater detail in the following sections.

1.1. Soft TQM and organisational performance

Powell [1] found that only three of his 12 soft TQM factors (executive commitment, open organisation, and employee empowerment) were significantly correlated with overall corporate performance. Through a study of Australian manufacturing companies, Dow et al. [2] also found that out of a total of nine factors, only the three items of workforce commitment, shared vision, and customer focus had a significant positive association with quality and performance. Ahire et al. [5] reached a similar conclusion in their study of automobile manufacturing and component companies in the US, and found that performance (in terms of product quality) was highly correlated with elements of soft TQM, such as employee empowerment, employee training and employee involvement. However, these studies adopted different sets of indicators as measures of performance. For in-

Table 1
Measures of organisational performance adopted in selected studies

Study	Item
Powell (1995)	<ol style="list-style-type: none"> 1. Financial performance (over past 3 years) 2. Financial performance relative to competitors (over past 3 years) 3. Revenue growth (over past 3 years) 4. Profitability relative to competitors (over past 3 years) 5. Revenue growth relative to competitors (over past 3 years) 6. Quality program has increased productivity 7. Quality program has improved competitive position 8. Quality program has increased profitability 9. Quality program has increased sales 10. Quality program has improved overall performance 11. Quality program has been positive development for organisation 12. Quality program has had a negative impact on profitability 13. Organisation would be better off without quality program
Dow et al. (1999)	<ol style="list-style-type: none"> 1. Finished product defect rate relative to major competitors 2. Defects as a percentage of production volume 3. Warranty claims cost as percentage of total sales 4. Cost of quality as a percentage of total sales
This study	<ol style="list-style-type: none"> 1. Customer satisfaction 2. Employee morale 3. Productivity 4. Defects as a percentage of production volume 5. Delivery in full on time to customer 6. Warranty claims cost as percentage of total sales 7. Cost of quality as a percentage of total sales

stance, Dow et al. [2] and Ahire et al. [5] adopted relatively narrow, quality focused definitions of performance, while Powell [1] used a variety of specific measures of TQM performance. Table 1 compares the specific performance measures used by Powell [1] and Dow et al. [2] with the more broad measures adopted in this study.

Elements of soft TQM are essentially dimensions of HRM. The coverage of soft TQM in the management literature is extensive and the prescriptions offered in management and TQM literature are very similar. Dean and Bowen [10] suggest that three out of six criteria of the Malcolm Baldrige National Quality Award (MBNQA) framework are extensively covered in the management literature. The three criteria, leadership, HRM and strategic quality planning, are all elements of soft TQM. Powell [1] concluded

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