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Institutional contradiction and management control innovation: A field study of total quality management practices in a privatized telecommunication company

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ABSTRACT

The purpose of this paper is to theorise the changes surrounding the introduction of a management control innovation, total quality management (TQM) techniques, within Telecom Fiji Limited. Using institutional theory and drawing on empirical evidence from multiple sources including interviews, discussions and documents, the paper explicates the institutionalization of these TQM practices. The focus of the paper is the micro-processes and practice changes around TQM implementation, rather than the influence of the macro-level structures that are often linked with institutional theory. The change agents used Quality Action Teams and the National Quality Council to introduce new TQM routines. The present study extends the scope of institutional analysis by explaining how institutional contradictions impact to create and make space for institutional entrepreneurs, who in turn, modify existing routines or introduce new routines in fluid organizational environments which also exhibit evidence of resistance.

1. Introduction

The advent and implementation of total quality management (TQM) practices have attracted the attention of institutional theory researchers since their introduction in the mid 20th century (Westphal et al., 1997; Zbaracki, 1998; Hoque and Alam, 1999; Sharma and Hoque, 2002; Modell et al., 2007; Modell, 2009). Some writers have argued that, as well as the higher technical efficiency that TQM practices may provide, organizations implement TQM practice to become isomorphic with other organizations in their environment (Zbaracki, 1998; Hoque and Alam, 1999; Sharma and Hoque, 2002). The introduction of TQM routines within the organization has been identified as being part of a broader process to enact and add legitimacy to management control systems (MCS) changes within organizations (Chenhall, 2003; Sim and Killough, 1998).[2]

The focus of this paper is on analyzing the changes surrounding the implementation of TQM practices which are part of broader control practices within Telecom Fiji Limited (TFL). Certain management control practices are conducive to the realization of TQM. The development of an organizational culture conducive to cross-functional cooperation and process-oriented management necessitates lateral rather than hierarchical oriented control practices (Chenhall, 2008). Popular conceptualization of TQM practices emphasises the need for mechanisms supporting lateral control such as empowerment of managers with cross-functional process responsibilities, team-based

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[2] Chenhall (2003) notes that TQM practices are associated with MCS requiring timely externally focused information and close interaction between strategy and non-financial performance measurement.

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rewards and use of non-financial goals and performance measures (Hackman and Wageman, 1995; Johnson, 1994; Modell, 2009).

In this paper, institutional theory is used to explicate the process of introducing TQM practices within TFL. The literature on TQM practices tends to be outcome-oriented and there are only a few studies employing a processual approach. Institutional theory has been little used to study such processes as it has tended to be seen as a theory of stability rather than change (Lounsbury, 2008; Johansson and Siverbo, 2009). Seo and Creed (2002) question the emphasis on stability in conventional institutional theory which they identify as the problem of "embedded agency." Embedded agents are those whose actions are constrained by the prevailing institutional ways of behaving. This means management may need the services of external consultants to bring about institutional change (Schumpeter, 1991; Beckert, 1999).

The paper addresses two main questions: (i) how were agents able to introduce a new MCS (such as TQM routines) within TFL? And (ii) how were TQM practices institutionalized at TFL? These two general questions led us to ask more specific questions: what was the institutional context in which agents acted? Were external agents or 'embedded' agents active in the change process? What were the micro-processes at work? And what were the mechanisms used to effect and institutionalize change? The paper adds to the literature by examining agency aspects of institutional change and extends work of theorists who have attempted to develop a processual view of change (Hirsch and Lounsbury, 1997; Beckert, 1999; Burns and Scapens, 2000; Seo and Creed, 2002; Dorado, 2005; Lukka, 2007; Modell et al., 2007; Cruz et al., 2009).

The remainder of the paper is structured as follows: in the second section, we provide a brief overview of management control perspectives on TQM. Following this we cover the theoretical perspective adopted for the study, the case company and the research method, and present the findings. The paper then finishes with a discussion and conclusion section.

2. Perspectives on TQM

The intention of this section is to synthesise the literature on key aspects of TQM practices. TQM practices have been implemented by firms interested in promoting their survival prospects by incorporating quality and continuous improvement into their strategic priorities (Shank and Govindarajan, 1994; Tuckman, 1994; Chenhall, 1997; Lord and Lawrence, 2001; Hoque, 2003). TQM practice is said to follow a set of management concepts and tools that seek to involve managers and employees in achieving continuous performance improvement (Hogg, 1993; Shank and Govindarajan, 1994; Johnson, 1994; Powell, 1995; Boaden, 1997; Chenhall, 1997; Zbaracki, 1998; Hoque, 2003). TQM practices emerged as an increasingly fashionable management innovation in response to the lack of competitiveness in US manufacturing industries during the 1980s and the perceived superiority of Japanese firms in delivering high-quality products and services in accordance with customer demands and achieving operational efficiency (Giroux, 2006; Modell, 2009). The rhetoric surrounding TQM promulgamation tends to be loaded with references to the need for management practices fostering customer orientation and satisfaction (Mouritsen, 1997; Modell, 2009). Hackman and Wageman (1995) identified the necessity of meeting customer needs as the primary motivation for TQM practices.

Shank and Govindarajan (1994) and others argued some time ago that quality practices had become so important that management accounting could no longer ignore TQM. Traditional accounting supports cost and production analysis, but not quality analysis (Shank and Govindarajan, 1994; Johnson, 1994; Hoque, 2003). Chenhall (1997) notes that TQM enhances the profitability of companies when managers are evaluated by using performance evaluation systems that employ measures of the manufacturing process. The thrust of the TQM philosophy is that quality and its management have to be built in from the beginning and that the accomplishment of quality standards and improvement is the responsibility of everyone (Morgan and Murgatroyd, 1994; Lord and Lawrence, 2001; Hoque, 2003). A common view in the management literature is that a satisfied customer is the best indicator of the quality of any business (see Lal, 1990; Johnson, 1994; Tuckman, 1994; Boaden, 1997). Although much of the literature suggests that TQM practices facilitate customer satisfaction, we argue that may not be the case for a privatized monopoly.

A few authors have made critical commentaries on TQM practices (Ezzamel, 1994; Ezzamel and Willmott, 1998; Zbaracki, 1998; Lord and Lawrence, 2001). Ezzamel (1994) argues that when implementing TQM practices, there is a tendency for management to overemphasise the use of detailed written rules and procedures which separate individuals from their work.

Morgan and Murgatroyd (1994) note that there is a fear that the widespread adoption of TQM practices may reduce the number of jobs available or the opportunities for promotion. Ezzamel (1994) points out that the practices of TQM engender performance targets based on reward structures that sanctify success and shame failure. Often these measurements are monitored and controlled using top–down techniques. A few authors also claim that management uses TQM practices to exploit employees in order to extract surplus value for capital (Morris and Wilkinson, 1995; Lord and Lawrence, 2001).

TQM practices may be adopted by organizations so as to appear legitimate to their broader constituencies and stakeholders in order to secure the resources they need for continual survival (DiMaggio and Powell, 1983, 1991; Hoque and Alam, 1999; Sharma and Hoque, 2002). Tolbert and Zucker (1983) argue that once practices are well established, they may be more for social legitimacy and may become a matter of "myth and ceremony." There is a possibility that the practices may not bring efficiency gains for organizations. This is in line with the contradiction that Seo and Creed (2002) suggest arises as a result of inefficiencies resulting from the quest for legitimacy.

In brief, the literature on TQM is mixed, with both positivist and interpretive perspectives. The theory adopted for the case is discussed in the next section. In order to study