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Effects of quality management and marketing on organizational performance

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Abstract

We test the relationships among quality orientation, market orientation, and organizational performance. Quality orientation looks at the level of quality management being implemented, while market orientation examines the level of marketing being practiced. Using data from 304 organizations having operational quality management systems, we test a structural model examining the hypothesized relationships among the three constructs. The quantitative survey results are supplemented with qualitative data collected from in-depth interviews with selected respondent organizations having different levels of quality and market orientations. The findings reveal that quality orientation and market orientation are complementary and substantiate the view that quality management and marketing reinforce each other in enhancing organizational performance. Management implications for the collective implementation of quality management and marketing are discussed.

Keywords: Quality; Marketing; Implementation; Performance

1. Introduction

A number of studies have been conducted to examine the impact of quality management, particularly TQM (e.g., Hendricks and Singhal, 1997), and the impact of marketing (e.g., Narver and Slater, 1990) on business performance. However, the literature is short of empirical studies on the combined effects of quality management and marketing, although they have been considered complementary business approaches for performance improvement (Lai and Weerakoon, 1998). The objective of this study is to explore whether quality management and marketing are complementary business approaches in organizations and, if so, the extent of their performance impact. To investigate the impact of these two "different" business approaches, which when implemented together are expected to bring better performance than implemented separately, a mail survey using structured questionnaire was conducted, complemented by follow-up in-depth case study analyses. This study adds to the existing literature by providing a theoretical framework that considers the quality management/marketing interface and its impact on organizational performance. Further, empirical linkages among quality management, marketing, and organizational performance are examined.

2. Theoretical framework and hypotheses

Quality is an abstract concept depending on the desire of the individuals involved with a primary emphasis on the satisfaction of customer's needs and wants. One important point to note about the meaning of quality is the multidimensional nature of the concept (Garvin, 1987). To direct employees' efforts towards the goal of customer satisfaction, a common understanding of the term *quality* is required. Viewed from this perspective, quality has become a critical strategic issue rather than an operational one. What a quality management system emphasizes is the organizational ability to satisfy customer needs precisely and profitably involving all members of an organization.

The marketing concept centers on the management of market "exchange" between customers and organizations. It helps organizations to achieve exchange-determined goals more effectively (Houston, 1986). The marketing concept requires firms to take a proactive attitude to do business and

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be responsive to customer needs and market changes (Kohli and Jaworski, 1990).

Quality management can potentially contribute to the effectiveness of marketing implementation in three aspects as it plays the role of (1) internal integrator, (2) external integrator, and (3) efficiency enhancer. On the other hand, marketing can add substantial value to quality management implementation through its functions as (1) customer window and (2) quality leader.

2.1. Quality management as internal integrator

The most severe criticism about the marketing concept concerns its tendency to be practiced as a set of functional activities rather than an organization-wide approach (e.g., King, 1985). If this should happen, it would hinder the voices of customers to be translated into internal improvement processes and filtered throughout the organization for the benefits of customers, thus yielding the risks of losing, misinterpreting, and distorting the voices of customers generated from marketing to other internal functions. The holistic nature of quality management, particularly TQM, together with its set of management tools and techniques, are of potential use for effective marketing implementation (Day, 1994) and breaking down functional barriers (Hackman and Wageman, 1995). The consequence of teamwork, as prompted by the team-base quality management approach, is penetration of the marketing concept that permeates the whole organization. The total involvement aspect of quality management and its related tools (e.g., QFD) ensures congruency between the voices of customers and the voices of processes for the delivery of customer satisfaction.

2.2. Quality management as external integrator

In addition to managing relations among organizational functions, relationships with customers and the network organizations such as suppliers, distributors, and advertising agencies should not be neglected for effective marketing implementation (Webster, 1992). One important note about quality management is its emphasis on establishing mutually supportive forward relationship with customers, and backward relationship with the network organizations, particularly suppliers that have significant impacts on customer satisfaction (Deming, 1986). The relationship emphasis of quality management complements marketing, particularly the relational marketing approach (e.g., Grönroos, 1996) to the cultivation of long-term relationships with customers and the network organizations.

2.3. Quality management as efficiency enhancer

Marketing as a business approach is dedicated to both the achievement of effectiveness, i.e., the ability to create and keep customers, and the achievement of efficiency, i.e., the achievement of maximum output from minimum input. While marketing plays the role to ensure "doing the right things," quality management complements marketing with an emphasis on continuous process improvement for "doing the things right" across the whole organization. From the standpoint of efficiency, this emphasis is of great value to marketing, particularly at the tactical level involving a series of operational activities (e.g., advertising campaigns, new product launches), which needs understanding of such process variables as cycle time, capacity, yield, waste, and flexibility.

2.4. Marketing as customer window

Although quality gurus, such as Deming (1986), have discussed the importance of customer wants, they give little practical advice on how to assess wants so that appropriate product/service specifications could be established. Marketing, particularly through its role in promoting listening to the voices of customers in organizations, has too often been ignored in quality improvement, with the result that internal process improvement often has had no clear connection to customer needs (Kordupleski et al., 1993), for instance, producing products/services that customers do not want. The role marketing plays is critical to quality management implementation, as organizations must ensure that their quality improvement efforts are focused on improving customer satisfaction rather than on management's own perceptions of quality requirements.

2.5. Marketing as quality leader

For successful quality management implementation, it is important that all involved employees understand the customer definition of quality and the needs of other functional areas to meet the customer requirements. Viewed from this perspective, marketing links requirements from the external environment with the relevant functional areas within the organization (Gummesson, 1991) and contributes to developing priorities of quality improvement and providing a road map for utilizing company resources. This creates an environment where employees at all levels understand how priorities are set and connected with customer needs, and the network organizations are informed of the customer requirements.

The above discussions highlight that quality management and marketing share the concepts of customer orientation, interfunctional coordination, and continuous process improvement for successful implementation. The compatibility of quality management and marketing implementation for organizational performance improvement is manifested. Thus, we hypothesize the following relationships.

Hypothesis 1: The quality orientation of a firm correlates positively with its market orientation.