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Configuring quality management and marketing implementation and the performance implications for industrial marketers

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ABSTRACT

This study empirically examines if different configurations of quality management and marketing (Q&M) implementation exist in various industrial organizations and explores their implications for firm performance. We survey 304 organizations that have operational quality management systems and conduct in-depth interviews with selected groups of respondent organizations to understand their market-oriented behaviors. We perform cluster analysis of the survey data to empirically construct taxonomic configurations of Q&M implementation that may exist in these organizations. The results show three distinct configurations with each configuration displaying specific implementation characteristics. We label the corresponding organizations as *reactive firms*, *progressive firms*, and *proactive firms*, respectively. In other words, each configuration represents a different extent of implementing Q&M in organizations. We also find that the empirically-derived configurations, corroborated with in-depth interview data, are associated with various firm performance measures. The analysis reveals that proactive firms in which Q&M are implemented at a high level attain the best firm performance. Despite the exploratory nature of this study, the taxonomy developed yields valid and reliable findings that have significant theoretical and practical implications for industrial marketers.

1. Introduction

The competitive pressure of today's business environment has prompted many organizations to shift their operational emphasis from a production-oriented approach to a market-oriented approach, which accords customer satisfaction the highest priority. At the same time, many businesses respond to competition by embracing the concepts of quality improvement and total quality management (TQM), which espouse that firms link organizational visions, missions, and operating principles with satisfying customer wants, and that companies exploit quality as a means to this end (Lai & Cheng, 2003).

This quality management approach emphasizes organizational ability to continuously satisfy customer needs at a profit with the involvement of all of the organizational members. Implementation of quality management is consistent with the marketing management approach where the latter requires organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it for execution (Kohli & Jaworski, 1990). Although quality management and marketing (Q&M) have been well defined and both are anchored in the concept of customer satisfaction, their management implications in relation to each other have not been adequately covered in the literature (Lai, 2003).

A number of studies have examined the impact of quality management, particularly TQM (e.g., Yeung, Cheng, & Lai, 2006), and the impact of marketing (e.g., Song & Parry, 2009) on business performance. In general, these studies tend to support the notion that Q&M are significant contributors to company success. Some studies, however, have questioned the value of quality management (e.g., Benner & Veloso, 2008) and of marketing (e.g., Merlo & Auh, 2009) to firm performance. Furthermore, the literature is short of empirical studies that examine different Q&M implementation configurations in organizations, although Q&M have been considered complementary management approaches for performance improvement (Lai & Cheng, 2005).

It has been suggested that the lack of successful joint implementation of Q&M is the missing link between these two management approaches (e.g., Kordupleski, Rust, & Zahorik, 1993). Therefore, it is desirable to establish a framework that considers the Q&M interface, identify different Q&M implementation configurations, develop a taxonomy of Q&M implementation configurations, and explore the performance implications of different Q&M implementation configurations. This will raise the confidence of organizations in implementing these two management approaches. In fact, the literature is unclear as to the following issues: Does the performance of firms vary with different configurations of Q&M implementation and, if so, which configuration will bring the best performance outcomes? Do organizations with a more desirable configuration with Q&M implemented at a higher level perform better, and vice versa? If different Q&M implementation

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configurations do exist in practice, then it will be useful to understand what characteristics each configuration possesses and specifically how they are associated with firm performance.

While a considerable number of studies have investigated either the quality management–performance relationship or the marketing–performance relationship, there is a serious lack of studies examining the two management approaches collectively focusing on Q&M implementation configurations and their associated performance implications. Today's business environment is characterized by diverse customer needs and rapid market changes, which present huge challenges to many businesses in managing their operations. Research linking internal operating processes and market needs is emerging in industrial marketing (Nath, Nachiappan, & Ramanathan, 2010) and operations management (Chintagunta & Desai, 2009). There is an urgent need for more studies to address the new challenges of quality management, particularly when firms are striving to meet rapidly changing market requirements (Schroeder, Linderman, & Zhang, 2005) and industrial relationships. We conduct this study with a view to shedding light on the questions of whether different Q&M implementation configurations exist in organizations and how different configurations are related to firm performance. We also seek to explore the managerial implications of our research findings for industrial marketers.

2. Theoretical framework

2.1. Quality management

Quality is an abstract concept that is related to the desire of individuals involved in a transaction. Quality management in organizations emphasizes satisfaction of customer needs and wants. One important point to note about the meaning of quality is the multidimensional nature of the concept (Flynn, Schroeder, & Sakakibara, 1994). Reeves and Bednar (1994) point out that no one definition of quality is best in every situation with respect to measurement, generalizability, usefulness to management, and relevance to customers. The multidimensional nature of quality is also evident in the works of Garvin (1984, 1987), in which he proposes five bases and eight dimensions of quality, respectively. Indeed, a consensus of the concept of quality is important to drive performance, without which organizational directions might be obscured and efforts to improve quality compromised (Tatikonda & Montoya-Weiss, 2001). To direct employees' efforts toward the goal of customer satisfaction, a common understanding of the term “quality” is required (Lai, Cheng, & Yeung, 2005). Viewed from this perspective, quality has become a critical strategic issue rather than an operational one. Many organizations have employed quality management systems such as ISO 9000 and some have even taken a step forward by using such systems to link quality improvement and satisfaction of customer needs within a quality management framework (Yeung, Cheng, & Lai, 2005). In essence, what a quality management system emphasizes is organizational ability to satisfy customer needs precisely and profitably that involves all of the members of the organization. The desire to excel in the competitive marketplace that requires organizational flexibility and responsiveness to satisfy customer needs gives rise to the popular approach of quality management.

2.2. Marketing

Today's customers expect an increasingly higher level of product/service quality than ever before because they have more choices and possess better knowledge about product/service offerings. The challenge for any business to remain competitive is to determine what customers want and whether they are satisfied with the business' products/services (Almquist & Lee, 2009), which is the underlying philosophy of marketing. The marketing concept centers on the management of the market “exchange” between the customer and the organization. For decades, the marketing concept has been the core of practicing marketing (Uslay, Morgan, & Sheth, 2009). The marketing concept suggests that the long-term purpose of a firm is to satisfy customer needs for the purpose of maximizing corporate profits (Homburg, Wieseke, & Bornemann, 2009). It requires firms to take a proactive attitude in doing business and to be responsive to customer needs and market changes. It helps organizations achieve exchange-determined goals more effectively (Houston, 1986). In contrast to the sales concept, which is short-term with a focus on the selling process, the marketing concept is strategically oriented toward long-term customer satisfaction, rather than sales volume, as the key to profitability (Homburg, Jensen, & Krohmer, 2008). A general belief is that firms that are better equipped to respond to market requirements and to anticipate changing conditions are expected to enjoy sustainable competitive advantage and superior profitability. This view on the value of marketing capabilities to firm performance has been consistently substantiated with empirical evidence (Morgan, Vorhies, & Mason, 2009). As the development of marketing capabilities requires organization-wide generation of market intelligence, dissemination of the intelligence across functional units as well as responsiveness to it, this study defines marketing implementation as market orientation following the conception of marketing implementation by Kohli and Jaworski (1990).

2.3. Configuring Q&M implementation and industrial marketing

Configuration theorists have long maintained that operational strategy is central to organizational outcomes (Chandler, 1962). Configuration of the organizational characteristics of a business can be viewed as a desirable state leading to superior performance (Schulte, Ostroff, Shmulyian, & Kinicki, 2009). It has been argued that, in firms, certain elements of strategy, structure, and process tend to cluster together to form configurations, which are critical organizational characteristics that commonly occur together and which support firms in pursuit of their strategic goals (Doty, Glick, & Huber, 1993). In the marketing literature, researchers are paying increasing attention to the configurations of marketing activities in practice (Homburg et al., 2008; Vorhies & Morgan, 2003). We have seen increasing numbers of industrial marketing researchers using the configuration approach to explain organizational configurations for marketing management. For instance, Gebauer (2008) identifies four service strategies, namely after-sales service providers, customer support providers, outsourcing partners, and development partners, in product manufacturing companies by exploring environment-strategy configurations using cluster analysis. To understand how subcontractors in the steel and metalworking industry can effectively upgrade their customer value offerings, Matthyssens, Vandenbempt, and Weyns (2009) identify the “ideal” value-added market positions and relate these to specific competence configurations with respect to processes and systems, assets, knowledge and capabilities, as well as culture and organizations. Using qualitative methodology and interview data, Biemans, Brencic, and Malshe (2010) develop a dynamic, evolutionary spectrum of four B2B marketing–sales interface configurations, namely hidden marketing, sales-driven marketing, living apart together, and marketing–sales integration.

Their studies seem to suggest an increasing trend toward using the configuration approach to understand marketing's interface with other functions of a firm such as quality management. This development illuminates the importance of empirically uncovering and showing the existence of certain theory-driven organizational configurations such as Q&M implementation and establishing their relationships with performance in industrial marketing research. Indeed, design of organizational configurations for implementing management practices has long been a popular research topic (e.g., Short, Payne, & Ketchen, 2008; Wong, Lai, & Cheng, 2009). From the contingency perspective, Burton, Lauridsen, and Obel (2002) develop and empirically test a multicontingency model for strategic organizational design.