



A resource dependence theory perspective of ISO 9000 in managing organizational environment

Prakash J. Singh^{a,*}, Damien Power^a, Sum Chee Chuong^b

^a Department of Management & Marketing, The University of Melbourne, VIC 3010, Australia

^b Department of Decision Sciences, NUS Business School, National University of Singapore, Singapore

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ABSTRACT

More than 900,000 organizations worldwide have registered to the ISO 9000 quality management standard. Despite its growing popularity, few studies have offered a coherent theoretical basis for the standard's appeal. A theory-based explanation enhances understanding and appreciation for the standard, and provides clarity on how the standard benefits organizations. In this paper, we invoke the resource dependence theory (RDT) to purport that the standard is used by organizations as a tool to manage their organizational environment. It does this by specifying procedures that organizations need to manage their organization–environment boundary spanning processes. Using the RDT perspective, a model with three key constructs embodying ISO 9000 was developed: internal processes, relationships with customers and relationships with suppliers. The latter two were treated as being part of the task environment. We predicted that the external aspects of the standard affect operating performance (a measure of effectiveness), both directly and through internal processes. Empirical data from 416 ISO 9000 registered Australian manufacturing plants validated the RDT perspective, and suggest that the three constructs, individually and in isolation, are not as effective as when they are considered together. By invoking RDT, a new theoretical viewpoint to ISO 9000 has been developed that adds to other theoretical perspectives, and goes some way to explaining the growing popularity of this standard with organizations.

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1. Introduction

Since its inception, there has been a remarkable growth in organizations registering to the ISO 9000 quality management standard, with close to 900,000 registered organizations in existence in 170 countries (International Organization for Standardization, 2008). Many researchers have sought to understand why organizations choose to register. Much of this research is focused on internal justifications, with the spotlight on how the standard assists organizations to intrinsically improve their internal organizational processes and performance (Adams, 1999; Benner and Tushman, 2002, 2003; Boiral, 2003; Tzelepis et al., 2006; Benner and Veloso, 2008). Others have explained the organizations' decisions to register from an external perspective (Anderson et al., 1999; Guler et al., 2002; Terlaak and King, 2006; Clougherty and Grajek, 2008). This research stream has shown that some organizations register to comply with market expectations and regulatory requirements, and to improve their locational advantage.

These studies suggest that the standard plays a dual role in addressing both internal and external functions. A close examination of the standard confirms this duality: the standard requires organizations to develop and implement procedures that ensure within-organization process variation reduction and control, as well as coordinative processes with key external stakeholders such as customers and suppliers. As such, it is evident that ISO 9000 extensively addresses both internal organizational processes and external organization–environment boundary spanning activities. Yet, a review of the literature shows that studies that address the dual nature are limited and lack a clear theoretical focus. Those that have (e.g., Boiral and Roy, 2007; Naveh et al., 2004; Naveh and Marcus, 2004, 2005; Corbett et al., 2005) done so in an indirect manner and from a myriad of theoretical perspectives. The extant literature reveals an incomplete, fragmented and partial understanding of ISO 9000 registration. More importantly, few studies have examined and offered an integrative, theoretical exposition of the dual functionality of ISO 9000.

In this study, we integrate the literature by proposing a theoretical basis that could account for its widespread interest. The theoretical basis is achieved through: (1) identification of a theory that integrates existing literature on the duality of ISO 9000; (2)

* Corresponding author. Tel.: +61 3 8344 4713; fax: +61 3 9349 4293.
E-mail address: pjsingh@unimelb.edu.au (P.J. Singh).

development of a model based on the identified theory; and (3) empirical testing of the theory-based model.

Given the internal and external perspectives of the standard, we invoke ideas from a body of knowledge that has hitherto been largely neglected, namely, the organization–environment relationships area. We propose that the resource dependence theory (RDT) is a suitable organization–environment relationships theory to explain the duality of ISO 9000. As described by Pfeffer and Salancik (1978), RDT proposes that organizations engage with their environment to obtain resources. The basic assumptions of RDT are that organizations are rarely internally self-sufficient with respect to strategically important resources, thereby leading to dependencies on other organizations (Heide, 1994); and organizations seek to reduce uncertainty and manage this dependency by carefully structuring their relationships with other organizations through formal and semiformal means (Ulrich and Barney, 1984).

Invoking RDT, we posit that ISO 9000 is a tool that organizations use to deal with conditions in their organizational environment. Consistent with this theory, organizations use the standard to: make changes to their internal processes to adapt to their organizational environments; attempt to change their organizational environments; and do both of these if and when possible. We postulate that the standard plays facilitative internal and external roles in enabling organizations to deal with contingencies in their environment.

This postulation is evaluated by analyzing the standard through the lens of RDT because, *prima facie*, there is a good fit between the phenomenon (i.e., ISO 9000) and the scope of the theory. As such, we identify the key constructs that embody the standard. We then develop a model that relates these constructs. The theory-based model was then tested for empirical validity with data from 416 Australian manufacturing plants that are ISO 9000 registered.

Our study makes several useful contributions. By providing substantive theoretical grounding, we consolidate and enrich the literature on a popular management context (i.e., ISO 9000 registration). Our theory-driven approach creates a more rigorous and coherent understanding of the conceptual and practical aspects of ISO 9000 registration. The theory-based model depicting relationships between the internal and external process constructs offers prescriptive and managerial insights on the adoption of ISO 9000. Our study also illustrates the applicability of the RDT to a new context, thereby demonstrating an additional application of the theory.

2. Literature review

2.1. Why organizations register to ISO 9000

Despite widespread popularity of the standard, there is still considerable debate regarding the primary driving forces of ongoing adoption. Research that has addressed this issue can be grouped into two categories: those that focus on internal justifications, and others that focus on external factors. Studies that are focused internally are premised on the notion that the standard assists organizations to improve their internal organizational processes and performance (Adams, 1999; Benner and Tushman, 2002, 2003; Boiral, 2003; Tzelepis et al., 2006; Benner and Veloso, 2008). However, empirical evidence for this perspective is not all that compelling, with many studies showing that ISO 9000 based internal management practices account for only modest levels of variance in operating and other measures of performance (Terziovski et al., 1997; Simmons and White, 1999; Lima et al., 2000; Rahman, 2001). Further, questions have been raised as to why an organization would go through the effort and expense of formal registration if the motivation is limited only to internal process improvements (Terlaak and King, 2006).

Partly as a reaction to this, several researchers have sought to explain registration from an external perspective. This research stream has shown that some organizations register to comply with market and industry expectations, and conform to regulatory requirements (Anderson et al., 1999), with the spread occurring through isomorphic processes of coercive, normative and mimetic behaviors (Corbett and Kirsch, 2001; Guler et al., 2002; Boiral, 2003; Clougherty and Grajek, 2008). Also, some organizations use the standard as a signal of their status to the market (Terlaak and King, 2006). If these explanations (i.e., that organizations register for purely externally motivated reasons) are taken to their logical conclusion, then organizations are likely to make minimum levels of change to their internal processes and practices, just enough to achieve registration. As a consequence, significant improvements in internal performance are unlikely to be detected. However, some organizations do seem to achieve discernible operating benefits through registration (Carr et al., 1997; Terziovski et al., 2003; Corbett et al., 2005), and so externally driven explanations alone do not adequately account for an organization's decision to register. Further, implementation of the standard implies process mapping, and by extension, in many cases, changes to processes in order to achieve accreditation. There are, therefore, implications for altered internal processes even if motivation is purely externally driven.

The limited number of studies that considered both motivations shows a general lack of convergence. Some studies show that internal motivations are more important than external motivations. For example, Naveh and Marcus (2004) showed that the extent to which ISO 9000 is associated with performance improvements depends more on the level of its assimilation with the existing internal processes combined with the degree to which an organization goes beyond the minimal requirements of the standard. They also found that the extent to which the standard's implementation was externally coordinated with suppliers and customers was less important. Similarly, Corbett et al. (2005) found that performance improvements as a result of registration could be attributed more to internal productivity improvements than externally derived marketing benefits.

Other studies show a more complex relationship between internal and external motivations. For example, Naveh et al. (2004) showed that organizations that register early (first movers) do not necessarily gain a competitive advantage over late registrants (second movers). Instead of timing, learning was found to be more important. First movers register to the standard because of real needs within the organization (technical efficiency), and these organizations learn from their own experiences. Second movers, on the other hand, register because of customer pressure and fear of falling behind competitors (external pressure); and they learn from others. First and second movers follow different pathways, but generate similar outcomes. In a related study, Naveh and Marcus (2005) found that while installation of ISO 9000 requires both internal integration and external coordination, organizations achieve a distinct operating advantage from the standard when they effectively internalize it by using it in daily practice and as a catalyst for change.

In toto, the literature provides a rather fragmented and partial understanding of why organizations register to the standard, how it works and the benefits it provides. To improve clarity, the standard needs to be reappraised to identify its key features in a more holistic manner. Further, since the standard is replete with prescriptions on organization–environment boundary spanning activities (see, for example, clause 5.2 Customer focus and 7.4 Purchasing, ISO 9001:2000), we believe that this aspect needs careful analysis as this perspective has the potential to provide insights into the standard that hitherto has not been covered in the literature.

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