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Total quality management and sustainable competitive advantage

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Abstract

Although it is generally accepted that Total Quality Management (TQM) can generate a sustainable competitive advantage, there is, surprisingly, little or no theory to underpin that belief. Therefore, the primary purpose of this paper is to explore the validity of the claim. By drawing on the market-based theory of competitive advantage, resource-based theory of the firm, and systems theory, we are able to conclude that the belief is warranted. We deduce that the content of TQM is capable of producing a cost- or differentiation-based advantage, and that the tacitness and complexity that are inherent in the process of TQM have the potential to generate the barriers to imitation that are necessary for sustainability. © 2000 Elsevier Science Inc. All rights reserved.

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1. Introduction

There is a growing body of empirical research supporting a direct relationship between the adoption of Total Quality Management (TQM) and improved firm performance (e.g., Easton & Jarrell, 1998; Hendricks & Singhal, 1997; Lemak et al., 1997; Samson & Terziovski, 1999;

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Shetty, 1993). Given the theoretical link that exists between competitive advantage and performance, it is perhaps not too surprising that it has been claimed that TQM or similar quality management practices can be used to generate a competitive advantage (e.g., Curkovic & Pagell, 1999; Feigenbaum, 1990, 1992; Hewitt, 1994; Noori, 1991; Reich, 1994; Seawright & Young, 1996; Tobin, 1990). It has also been claimed that TQM leads to sustainability of advantage (e.g., Cyert, 1993; Flynn et al., 1995; Harber et al., 1993; Hendricks & Triplett, 1989; Spitzer, 1993; Tilton, 1994). There is an obvious intuitive appeal to these ideas and, from the number of times that the presumption of causality arises within the literature, it is apparent that they have gained face validity. But, intuitive appeal cannot substitute for theoretical grounding. The fact remains that there is no theoretical model to underpin these claims. Without sound supporting theory, it will be difficult to move quality management research to the next level. Therefore, the purpose of this work is to help fill the theoretical void that still exists between TQM and sustainable competitive advantage.

Theory building in TQM was launched with the publication of the July 1994 special issue of the *Academy of Management Review*. The lead article in that issue (Dean & Bowen, 1994) did an effective job of mapping out the TQM theory landscape in terms of three dimensions—areas in which TQM overlapped with traditional management theory, areas where TQM practice could be enhanced by current theory, and areas unique to TQM. Most theory building since then has occurred, not surprisingly, in the first area, where ideas from the larger body of literature can be expanded or honed to specific applications in the quality literature. The result of that endeavor has been theory mainly at the micro level of analysis in areas such as organization behavior (e.g., Shea & Howell, 1998), organizational change (e.g., Jenner et al., 1998; Reger et al., 1994), leadership (e.g., Puffer & McCarthy, 1996), and human resource management (e.g., Cardy & Dobbins, 1996; Waldman, 1994). Much less has been done at the macro level of analysis, even though some initial groundwork was laid in areas such as organization systems (e.g., Spencer 1994), contingency theory (Sitkin et al., 1994), organization culture (Manley, 1998), and strategy (Reed et al., 1996). Our research adds to the macro level work that views TQM through the strategy lens. Here, we offer theory that is grounded in the strategy literature that shows how TQM is capable of not only generating a competitive advantage but also providing sustainability.

We start on our task by providing some key definitions. We have adopted Reed et al.'s (1996, pp. 173–174) view of TQM as “a business level strategy . . . [with] . . . components of process and content.” Establishing that TQM is a business level strategy is important because it is at the business level where competitive advantage occurs. Content describes what the strategy does. In the case of TQM, for example, it can include improving product quality to help increase sales and revenues (Reed et al., 1996), or reduce risk (Kroll et al., 1999). Process, however, is concerned with how the strategy is implemented. For TQM, that can include things like the use of teams to iron out inefficiencies in manufacturing processes. Competitive advantage is the outcome of a strategy that generates increased value for a firm, relative to its competition, and sustainability is present if the increased value remains when competitors stop trying to imitate the advantage (Barney, 1991).

Following this introduction, we spend some time establishing what is included within TQM content and process. Then, after briefly exploring theory on competitive advantage, we argue that the creation of an advantage is centered mainly on issues of TQM content, whereas

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