

Relationship between quality management and firm performance

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Abstract

This article presents the results of a study on the relationship between quality practices and firm performance. Several studies have been discussed on this subject and our study aims to analyze the impact of quality practices on firm performance at the Moroccan companies. This study analyzes the different models developed by the researchers in order to conclude results according to the most recent studies. According to the literature review, we were able to conclude quality practices leading to the firm performance, particularly in terms of financial performance, operational performance and customer satisfaction.

A survey was subsequently developed to evaluate the results found in the field, and the survey was distributed to 500 companies nationally and internationally across all sectors. 154 responses were obtained from 92 national responses and 61 international responses. The results of the survey have been analyzed and developed in this article.

The following study is to determine the model of the impact of quality management on firm performance at the national level.

Keywords: *Quality, performance, TQM.*

1. Introduction

A Quality Management System, SMQ, is the set of actions implemented by a company that wishes to have a quality approach or continuous improvement in order to increase the quality of its production and organization.

Quality management has become a priority for companies. Quality Management can be a means of business development as it can be a brake of development.

In our study, a review of the literature was conducted ([1], [2], [3], [4], [5],) in order to develop the most recent models of the quality impact on firm performance and a comparative study was conducted to conclude the results of quality practices that lead to the performance of the company.

These practices were the subject of a survey that was distributed to 500 Moroccan and foreign companies.

The responses of 153 companies were collected and their studies and analyzes are the subject of this article.

2. Conceptual framework

Through a review of the literature, we found that several researchers have addressed the topic of the impact of quality management on firm performance.

Somme researchers have confirmed a positive relationship between quality and performance ([1], [2], [3], [4], [5], [22]), while other researchers have emphasized a negative relationship between quality management and firm performance ([23], [24], [25], [26], [31]).

According to our study, we have identified through the literature review the key of practices that impact the quality management and the key criteria that are impacted.

2.1 Quality practices

The quality management practices that emerged from the consultation of articles by different authors ([5], [6], [7], ...) are as follows:

- Top Management: Several studies have demonstrated the important role of top management as a key quality practice ([32], [38], [39],).
- Process management: according to the researchers ([32], [33], [11], [36], [37], [38], [39]) the management of the process impacts positively the performance of the company.
- Customer focus: through a literature review, several researchers including ([11], [33], [40], [38], [39]) confirmed the positive link between customer focus and the performance.
- Training and skills: Training and skills play a key role in making the company performs better, according to the authors ([38], [39], [40])
- Supplier Management: This quality practice is considered a key practice that leads to business performance ([11], [32], [39], [40],)
- Strategic planning: according to the authors [32], [33], [36], [37], [40], [39], there is a positive link between strategic planning and firm performance.
- Continuous improvement: is a key practice that impacts positively the performance of the company, explains [11]
- Employee participation: involving the employees of the company makes them more motivated, which allows the increase of their performance and subsequently the increase of the firm performance. [32], [11], [39]
- Partnership and resources: this practice of quality management is positively related to the performance of the company, [34], [36]

2.2 Performance criterion

The performance criteria impacted by quality management are as follows:

- Financial Performance: According to research studies [32], [34], [36], [37], [38], [40] financial performance is impacted by quality practices including sales growth, rate net profits, unit cost and profitability of the business.
- Operational performance: Among the most impacted performance criteria is operational performance according to several authors [32], [40], [38], this criterion implies the productivity of the company, the capacity of the company and the efficiency in achieving objectives.
- Customer focus: By referring to the researchers [40], [36], [38], [39], the customer focus is impacted by quality practices, particularly in terms of the rate of sales made to existing customers, customer satisfaction, product return rate and customer complaints.

3. Methodology

The methodology adopted by this study consists of :

- A review and analysis of what exists in terms of the impact of the quality management on firm performance.
- Analysis of research supporting the hypothesis: Quality is a means of performance in companies
- Analysis of research supporting the hypothesis: Quality is a brake on business development.
- Analysis of the most recent research and comparison of their results.
- Deduction of key quality management practices and which contributes to the performance of the company.
- Elaborating of a survey and diffusing it on 500 Moroccan and foreign companies.
- Treatment of collected data.
- Proposal of a model of the impact of the Quality Management System on firm performance.

4. Results

Based on the analysis of all the models studied, we can conclude that to study the impact of quality management on firm performance, we must take into consideration quality practices, namely:

- Top Management
- Process management
- Customer focus
- Training and skills
- Management of suppliers
- Strategic planning
- Continuous improvement
- Employee participation
- Partnership and resources

The criteria of the performance deducted are:

- Financial performance
- Operational performance
- Customer satisfaction

The results of the analysis of the responses of the survey:

The survey was distributed to 500 companies nationally and internationally.

Respondents to the survey are 153 national and international responses including 92 Moroccan responses and 61 international responses.

Profiles of participating companies in the survey:

***Activity area:**

The business sector of the companies that responded to the survey is as follows:

- 3.9% of respondent companies represent the IT sector
- 96.1% of respondent companies represent the industrial sector

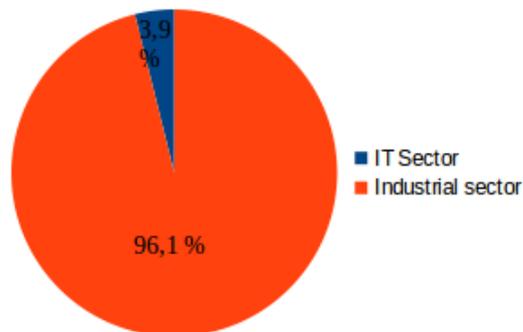


Fig.1 Activity area

*** Legal form**

The legal form of the companies that replied to the survey is as follows:

- 50.7% of companies are SARL
- 28.9% of companies are SA
- 20.4% of companies represent other forms

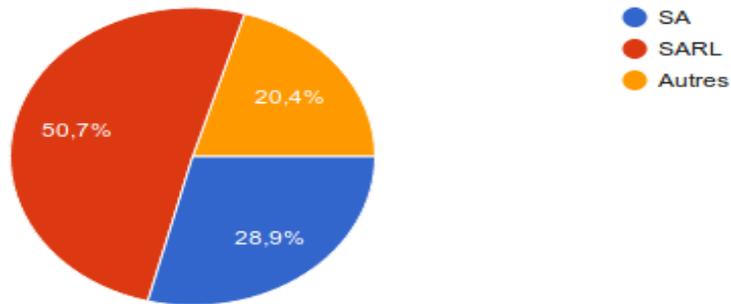


Fig.2 Legal form

*** Staff:**

The size of the companies that responded to the survey is as follows:

- 1-50 represent 53.3%
- 50-100 represent 11, 8%
- 100-200 represent 5.9%
- > 200 represent 28.9%

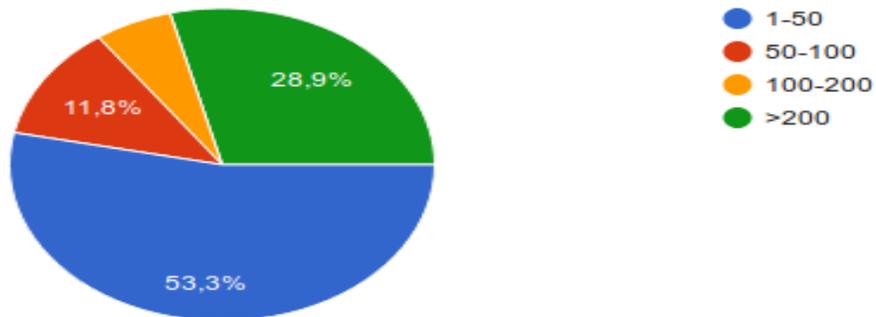


Fig.3 Staff : total workforce

State of certification ISO 9001

- * 52% of the companies participating in the survey are ISO 9001 certified
- * 48.7% of participating companies in the survey are ISO 9001 certified

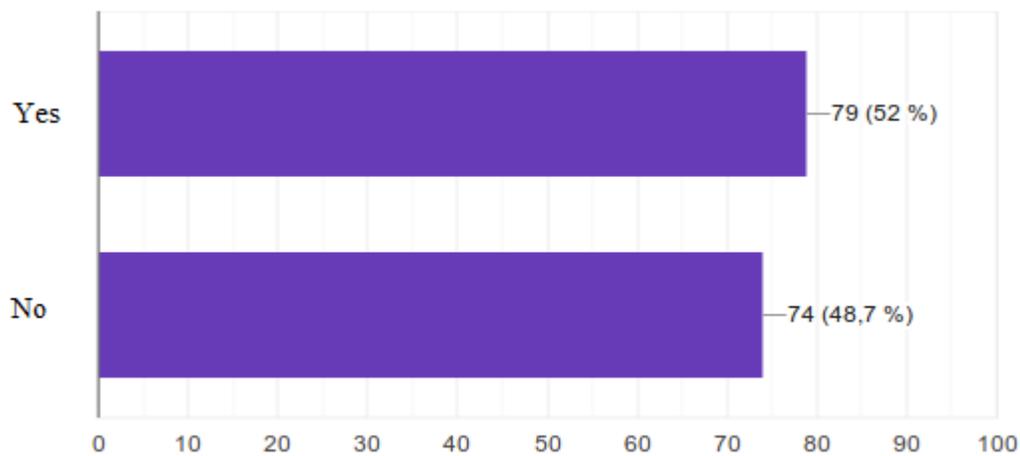


Fig.4 ISO 9001 Certification

5. Discussion

In analyzing the responses of participating firms, we found that the majority of responses confirm that there is a positive link between quality practices and firm performance.

For responding industrial companies (96.1%), they consider Top Management, Customer Focus, Supplier Management, and Strategic Planning to be the quality practices that lead to the firm performance the most.

For IT companies (3.9%), the quality practices that increase the firm performance are: personal involvement, training and skills, partnership and resources.

Small companies 50.7% of respondents see their performance is mostly related to training and competence.

For SA companies, they consider that their performance depends on the management of processes, training and skills, and partnership and resources.

Companies that are ISO 9001 certified consider Top Management, process management, and continuous improvement to have a positive impact on their development. In addition, non-certified companies consider that training and competence and management of suppliers have a positive impact on their performance.

These results will be confirmed further after data processing with the SPSS software in the next article.

6. Conclusions

Quality management has been a priority for companies for a long time as long as it contributes to their performance.

According to the study conducted, and according to several researchers, we have been able to conclude the key quality management practices that positively impact the firm performance.

These practices are: - Top Management - Process Management - Customer Focus - Training and Skills - Supplier Management - Strategic Planning - Continuous Improvement - Employee Participation - Partnership and Resources.

Regarding performance criteria we have achieved - Financial Performance - Operational Performance and Customer Satisfaction.

These practices were the subject of a survey that was distributed to Moroccan and foreign companies with a response rate of 40%.

The results of the survey were analyzed in this article.

Subsequently, a statistical study will be conducted using a statistical software to develop the model of the impact of Quality Management on the firm performance and which will be the subject of the following article.

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