

# Study on Total Quality Management for Competitive Advantage in International Business

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## Abstract

Total Quality Management (TQM) is the integration of all functions and processes within the organisation in order to achieve continuous improvement of the quality of goods and services. TQM is essential for today's emerging global competitive markets. TQM always focus on customer satisfaction. TQM concerns for quality right from the suppliers in the supply chain. The Japan is the birth place for TQM, all or most of all TQM tools are developed first in the country Japan. Philosophically, TQM system in Japan is integrated, holistic and wholesome and doing well. On the other hand, the people of other countries were found unsuccessful, because of trying TQM tools individually but not in wholesome, without knowing their purpose.

Global business comprises all commercial transactions which refer to all those business activities which involve cross border transactions of goods, services, resources between two or more nations. Transaction of economic resources include capital, skills, people etc. for international production of physical goods and services such as finance, banking, insurance, construction etc. Most of the largest corporations operate in multiple national markets in the world.

The study examines the characteristics of international business. The study is based on key quality dimensions viz., reliability, responsiveness, competence, ease of use, security, and product portfolio. The research study has designed based on the empirical data collected from selected respondents. The study discusses its findings. Finally, it concludes with a summary of the results and some implications for future research. The findings of study may help for evolving new policy measures to encourage the customers and also the traders.

**Keywords:** International business; MNC; Competitive advantage; TQM; Quality

## Introduction

The traditional focus of business strategies has been finance and marketing. These parallel two of the principal sources of competitive advantage i.e. cost and differentiation. Total quality with a focus on people leads to improvements in both areas. Therefore, quality can be viewed as a strategy in itself. The role of quality in business strategy has taken two significant steps since 1980. First, many firms have recognized that a strategy driven by quality can lead to significant market advantages. Second, the lines between quality strategy and generic business strategies have become blurred to the point where TQM principles are integrated into most businesses' normal business planning; that is, TQM is a basic operating philosophy that provides the foundation for effective management. For most companies, integration of TQM into strategic business planning is the result of a natural evolution. For most new companies or those that have enjoyed a reasonable measure of success quality takes a back seat to increasing sales, expanding capacity, or boosting production. Strategic planning usually focuses on financial and marketing strategies [1-5].

## Competitive Advantage

Competitive advantage denotes a firm's ability to achieve market superiority over its competitors. In the long run, a sustainable

competitive advantage provides above-average performance. A strong competitive advantage has six characteristics:

- It is driven by customer wants and needs. A company provides value to its customers that competitors do not.
- It makes a significant contribution to the success of the business.
- It matches the organization's unique resources with the opportunities in the environment. No two companies have the same resources; a good strategy uses them effectively.
- It is durable and lasting and difficult for competitors to copy. A superior research and development department, for example, can consistently develop new products or processes to remain ahead of competitors.
- It provides a basis for further improvement.
- It provides direction and motivation to the entire organization.

As each of these characteristics relates to quality, quality can be an important means of gaining competitive advantage. Let us see how total quality contributes to competitive advantage. Discuss cost leadership, differentiation, and people as principal sources of competitive advantage, and their relationship to quality; Relate quality to the achievement of higher profitability; Describe the importance of quality in meeting customer expectations in product design, service, flexibility and variety, innovation, and rapid response; and Discuss empirical results showing the impact of quality on business results.

## Sources of competitive advantage

The classic literature on competitive strategy suggests that a firm can possess two basic types of competitive advantage: low cost and differentiation.

### Cost leadership

Many firms gain competitive advantage by establishing themselves as the low-cost leader in an industry. These firms produce high volumes of mature products and achieve their competitive advantage through low prices. Such firms often enter markets that were established by other firms. They emphasize achieving economies of scale and finding cost advantages from all sources. Low cost can result from high productivity and high capacity utilization. More importantly, improvements in quality lead to improvements in productivity, which in turn lead to lower costs. Thus a strategy of continuous improvement is essential to achieve a low-cost competitive advantage [6-8].

To achieve cost leadership for high volume products, companies use a variety of approaches:

- Early manufacturing involvement in the design of the product both for make-versus-buy decisions and for assurance that the production processes can achieve required tolerances.
- Product design to take advantage of automated equipment by minimizing the number of parts eliminating fasteners, making parts symmetric whenever possible, avoiding rigid and stiff part and using one-sided assembly designs.
- Limited product models and customization in distribution centers rather than in the factory.
- A manufacturing system designed for a fixed sequence of operations. Every effort is made to ensure zero defects at the time of shipment. Work-in-process inventory is reduced as much as possible, and multi skilled, focused teams of employees are used.
- A cost leader can achieve above-average performance if it can command prices at or near the industry average. However, it cannot do so with an inferior product. The product must be perceived as comparable with competitors or the firm will be forced to discount prices well below competitors' prices to gain sales. This can cancel any benefits that result from cost advantage.

### Differentiation

To achieve differentiation, a firm must be unique in its industry along some dimensions that are widely valued by customers. It selects one or more attributes that customers perceive as important and positions itself uniquely to meet those needs. For instance, Dell's direct business model was the first of its kind in the computer industry and continues to be a principal source of the company's success.

### People

The competitive advantage resulting from an organization's people can drive low cost and differentiation. Much of its cost advantage comes from its very productive, motivated, and unionized workforce. Providing a work environment that fosters cooperation, initiative, and innovation; educating and training the workforce; and enhancing the factors that affect well-being, satisfaction, and motivation are very difficult for competitors to copy. This is a significantly different

philosophy from the work environment that came into being during the Industrial Revolution [9-14].

## TQM Dimension for Competitive Advantage

There are eight TQM Dimensions with respect to TQM implementation for Competitive Advantage, as follows:

**(1) Customer focus:** Must understand that their success depends significantly on customers. Therefore, firms should understand and determine customer needs by meeting their requirements and striving to exceed their expectations.

**(2) Leadership:** Top management must establish unity of purpose and direction. They must create and maintain the internal environment in which people can become fully involved in achieving the organization's purpose.

**(3) Teams of people:** Employees at all levels must be recognized as the essence of the organization, and strategies must be put in place to ensure their full involvement, so that the organization can derive maximum benefits from their abilities.

**(4) Process Management:** A desired result is achieved more efficiently when related resources and activities are managed as a process.

**(5) Security/ System approach to management:** Identifying, understanding and managing a system of interrelated processes for a given objective improves the operational effectiveness and efficiency of firms.

**(6) Continuous Improvement:** The "Plan-Do-Check-Act" cycle is applied to processes. The "Plan" establishes the objectives and processes necessary to deliver results in accordance with customer requirements and the organization's policies; the "Do" implements the processes; the "Check" monitors and measures the processes and products against policies, objectives and requirements and reports on the results; and the "Act" takes actions to continually improve process and system performance.

**(7) Reliability:** Describe the importance of quality in meeting customer expectations in product design, service, flexibility and variety, innovation, and rapid response.

**(8) Suppliers' Management:** Firms and their suppliers are interdependent, and a mutually beneficial relationship would enhance the ability of both to create value.

## Research Design

This study is mainly aimed to investigate the relationship among TQM Practices for Competitive Advantage. The specific Objective of the study is to analyse the association of TQM Factors for Competitive Advantage in ISO Certified organisations and those organisations without ISO. The data has been collected from respondents of various organisations national and international repute. A survey instrument with Likert's scale was used to collect the perceptions of respondents. The sample size is 60 in which 30 are from ISO Certified organisations and 30 from the others. The statistical analysis was made with Average, Standard Deviation and t-test [15,16].

Based on the given research a structure, below hypothesis is proposed for further academic examination:

H<sub>0</sub>. The TQM activities cause no difference for competitive advantage in terms of the Customer Focus Responsiveness, Leadership, Reliability, Ease of Use system, Team-building, Security, Competence, and Product portfolio.

H<sub>1</sub>. The TQM activities actually cause significant difference for competitive advantage in terms of the Customer Focus Responsiveness, Leadership, Reliability, Ease of Use system, Team-building, Security, Competence, and Product portfolio.

### Analysis of Data

The TQM activities between the respondents with the ISO certification and respondent units without ISO certifications in terms of the Customer Focus Responsiveness, Leadership, Reliability, Ease of Use system, Team-building, Security, Competence, and Product portfolio. Comparison is made between organizations with and without ISO (QMS) certification to determine the competitive advantage of organizations. The t-test is used to test the statistical significance of the differences in TQM practices (Table 1).

Factor	ISO Certified			Without ISO Certification			t-test
	N	Mean	Std. Dev	N	Mean	Std. Dev.	p-value
Customer Focus, Responsiveness	30	4.63	0.43	30	4.34	0.52	.003*
Leadership	30	4.38	0.88	30	4.3	0.58	.041*
Reliability	30	4.32	0.53	30	4.03	0.8	.028*
Ease of Use System	30	4.55	0.57	30	3.87	0.47	.000*
Building Teams	30	4.34	0.41	30	3.67	0.84	.000*
Security	30	4.38	0.39	30	3.98	0.5	.000*
Competence	30	4.18	0.56	30	3.88	0.64	.013*
Product portfolio	30	4.63	0.43	30	4.34	0.52	.003*

**Table 1:** Total Quality Management for Competitive Advantage. Source: Survey Data. p-values with \* mark are significant at .050 level.

The results show that there are statistically significant differences for items with \*marks. The findings suggest that the evidence is significant (Average p-values<.050) to confirm that the TQM factors for Competitive Advantage in the organizations. Observation: Null Hypothesis is rejected as all TQM Constructs found significant with t-test comparison of means. Hence The Alternative Hypothesis is accepted. It is concluded that the Quality Management Standards (ISO) Certification actually causes significant difference for Competitive Advantage.

### Summary and Conclusion of Study

TQM always focus on customer satisfaction. Competitive advantage denotes a firm's ability to achieve market superiority over its competitors. In the long run, a sustainable competitive advantage provides above-average performance. The characteristics relate to quality, quality can be an important means of gaining competitive advantage.

The study concludes that Total Quality management activities cause significant impact on Competitive advantage of Organisations in Global businesses.

Further, it is suggested that all the business organisations should implement TQM in phased manner to meet the challenges in the globalised economies.

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