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How quality management contributes to profitability in a strategy-focused organization^{*}

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Abstract

To conduct quality improvement actions in a strategy-oriented organization and gaining financial result out of these efforts, there should be a clear and logical link between quality and business strategies. ISO 9000:2005 is one of the latest quality-related documents which can give us a vision on quality strategies. In this paper, the causal relations between quality and profit in the context of a strategy-based business have been analyzed. For this analysis, concepts like as strategy map, quality management principles from ISO 9000:2005 and quality costs have been used.

Key words: quality management, strategy map, quality costs

1 Introduction

In today's most organizations, quality management department and strategy planning department are performing separately and are not integrally working toward a common goal. This disconnection between quality and strategy results in the failure of most quality initiatives, since they are not focused on strategic plan and they don't receive the top management attention as much as they should. If the exact place of quality related initiatives could be clearly communicated all through the organization, especially in the corporate and business strategy plan, and quality initiatives would be treated exactly like other action plans, being regularly measured and monitored, then two separate quality and strategy islands become unified. So if a quality-driven organization wants to make profit, it must also focus on business strategies. Some authors such as Tatikonda and Tatikonda (1996), Juran (1993) and Noci (1995) have mentioned the misalignment between strategy and quality as the main reason of unsuccessful quality initiatives.

Many strategists believe that quality is a powerful strategic tool to achieve business excellence and it provides improved operations and profits. A lot of theoretical works materials have been published emphasizing the importance of strategic management of quality in order to gain competitive advantage. For example Aravindan and Devadasan (1996) have discussed the most important features of vital quality strategies in a manufacturing model. Chapman *et al.* (1997) combined both quality and strategy issues and examined the possible impact of these issues on business performance. Srinidhi (1998) noted that to be effectively implemented, quality management has to be aligned with strategy and properly coordinated. For this reason, He developed a system

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