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# Excellence management practices, knowledge management and key business results in large organisations and SMEs: A multi-group analysis

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## ABSTRACT

Following the total quality management (TQM) philosophy and the knowledge management (KM) approach, this contribution aims to study the influence of process methodology and partner management on KM, as well as the relationships between this variable and key business results. We also analyse the moderating role of organisational size in these previous relationships. The hypotheses proposed in our research model are tested on a sample of 225 Spanish companies with experience in TQM through evaluations using the EFQM Excellence Model. The partial least squares structural equation modelling (PLS-SEM) approach was used to test the research model. In order to assess the moderating effects of organisational size, we adopt a multi-group approach using two subsamples with large firms and small and medium-sized enterprises (SMEs). Our findings indicate that the use of process methodology and the involvement of partners are key factors for KM to have a significant impact on the key results of the business, both strategic and operational. Moreover, the organisational size is determinant when analysing the effect of process methodology and partner management on KM. In this sense, process methodology has a greater effect on KM in the SMEs. On the contrary, the relationship between partner management and KM is more intense in large firms. Finally, it is noted that KM can be effective and can improve the key business results independently of the size of the organisation.

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## 1. Introduction

Organisations must have an appropriate management system to succeed. The world is changing at an increasingly rapid pace, and the interdependence between organisations and economies is growing and becoming increasingly strong. To maintain competitiveness in this environment, an organisation needs to innovate, improve continuously and manage the needs and expectations of its stakeholders. Total quality management (TQM) proposes a philosophy of comprehensive organisational management that fits with the demands of the current environment, allowing management to be oriented towards stakeholders and a greater performance to be achieved (Prajogo & Sohal, 2006).

In addition, in this context of continuous changes and

uncertainty, it is critical that companies develop abilities to create and to acquire knowledge, to learn, to share what is learnt and to put it into practice (Spender & Scherer, 2007). Knowledge management (KM) is associated with business success and with the capacity of adaptation of the company to the changing and challenging environment, where the threats can be turned into opportunities. Owing to knowledge, companies can innovate, create organisational routines, grow, be sustainable and obtain competitive advantages (Chen & Huang, 2009).

At this point, we can consider if both management approaches are compatible and complementary. In this regard, the literature contributes evidence of relationships and synergies between TQM practices and the KM process (Asif, de Vries, & Ahmad, 2013; Linderman, Schroeder, Zaheer, Liedtke, & Choo, 2004; Molina, Lloréns-Montes, & Ruiz-Moreno, 2007).

However, there is no clear evidence showing the models, reference frameworks and key factors with which to obtain an effective and efficient integration of TQM and KM. This aspect

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would facilitate managerial work to a great extent, as it would help improve decision-making and reduce the time taken to reach the desired results. As Herman van Rompuy, ex-president of the European Council, said, *'All European organisations, both in the public and private sectors, are facing new challenges. The increasing pressure to compete on a global stage with limited resources means we all have to work together to secure our future prosperity, and that of generations to come. The EFQM Excellence Model provides a framework that encourages the cooperation, collaboration and innovation that we will need to ensure this goal is achieved'*.

Thus, Bou-Llusar, Escrig-Tena, Roca-Puig, and Beltrán-Martín (2009), Calvo-Mora, Picón, Ruíz, and Cauzo (2014) and Kim, Kumar, and Murphy (2010) show how excellence models offer a suitable reference framework for the implementation of TQM. However, as Gómez Gómez, Martínez Costa, and Martínez Lorente (2015) indicate, excellence models and TQM are not the same frameworks, but they do follow a similar path, and it can be expected that a company with high scores in excellence models will have high odds of being a TQM company.

In the literature, theoretical works can be found which analyse synergies between the EFQM model and KM (Benavides & Quintana, 2005; Martín-Castilla and Rodríguez-Ruiz, 2008; Mohsen Allameh, Khazaei Pool, Jaber, & Mazloomi Soveini, 2014; Westerveld, 2003). Case studies of companies that manage knowledge or some of its components, such as intellectual capital, through the EFQM model are also frequently found (Chourides, Longbottom, & Murphy, 2003; Kim, Kumar, Kumar, & Hwang, 2009; Moradi, Ramazanian, & Momeni, 2011; Seňová & Antošová, 2015; Tabari, Gholipour-Kanani, & Tavakkoli-Moghaddam, 2012). However, there is a lack of research proposing a model that can be tested empirically on the suitability of the EFQM model as a reference framework for a KM implementation, and how it can positively influence the key results of the organisation. Studies that use a horizontal reading of the EFQM model to analyse questions related to TQM and KM are also limited.

This way of interpreting the EFQM model is a powerful tool for analysing important concepts of the organisation (Fernández-Santos et al., 2010), although it is not as obvious as the traditional manner through the criteria and the sub-criteria. Thus, the EFQM model is not a set of unconnected criteria. On the contrary, it presents a series of interrelated practices that offer greater continuity and coherence (Martín-Castilla and Rodríguez-Ruiz, 2008). The interpretation of the relationships between the criteria and sub-criteria lies in the so-called transverse axes, or horizontal reading of the model, as opposed to its traditional vertical reading. The existence of these axes implies adopting a systemic approach to management. This is to say, we will not be able to achieve global improvements in the organisation, if we do not simultaneously approach the different aspects of the criteria of the model as interdependent elements (Calvo-Mora, Navarro-García, & Periañez-Cristóbal, 2015).

In this study, the transverse analysis of the EFQM model allows KM to be analysed in organisations that have been subjected to the assessment process, taking into account that KM is not contemplated in any specific criterion of the model. On the contrary, the aspects related to knowledge are considered in different sub-criteria throughout the EFQM model. More specifically, we attempt to analyse two important aspects for the effectiveness of KM: process management methodology (PMM) (Asif et al., 2013) and the management of partners (Ju, Lin, Lin, & Kuo, 2006).

In this regard, the value of products and services for the customers should be optimised, through PMM. Thus, documented information (procedures, technical instructions and records) is generated, which is a way of systematising the what, who, how and when of what is done in the organisation (a formalisation of the

organisational report). In addition, this documented information constitutes a means of contributing evidence of the results that are being achieved. This source of information and knowledge must be known by the management to improve the decision-making process and by the workers to undertake their work more efficiently (internal knowledge). Conversely, the management of partners is crucial to obtain a sustainable profit; more specifically, we refer to the need to establish networks to identify opportunities for potential alliances with partners. This type of knowledge is also necessary to compete, which is why it is necessary to favour the transfer of knowledge between organisations.

Finally, the effectiveness of the previous practices and the results that the company achieves can be limited by the size of the organisation. Desouza and Awazu (2006) and Hutchinson and Quintas (2008) identify a series of peculiarities in small and medium-sized enterprises (SMEs) that could influence KM: (1) socialisation activity is predominant within the process of knowledge creation. (2) In the SMEs, their members have broad and deep levels of common knowledge. It is knowledge that is assumed and interiorised by the employees and management. (3) SMEs present limitations when creating knowledge internally. Therefore, the alternative is to capture the knowledge from external sources. (4) The loss of knowledge is not a problem in the SMEs, due to their high flexibility and their common knowledge base. (5) In SMEs, the knowledge is managed from a more person-focussed approach than from a technological aspect.

For this reason, the present research attempts to achieve the following objectives:

1. To verify the reliability and validity of the horizontal reading of the EFQM Model to study key aspects of quality management and KM.
2. To analyse the relationships between three transverse axes of the EFQM model (PMM, partner management (PM) and KM) with key business results (KBRs).
3. To study the moderating effect of organisational size between the relationships that exist between the previous variables.

In order to answer the proposed questions, this paper is organised as follows. Firstly, the literature on QM and KM is analysed. Secondly, the research model and the hypotheses are presented. This is followed by the research method, results and discussions. Finally, the conclusions are presented, and the limitations and future research of the study are described.

## 2. Theoretical framework

### 2.1. TQM and KM

TQM is a comprehensive management philosophy oriented towards achieving excellent results in relation to stakeholders (Prajogo & McDermott, 2005). The principles and practices for TQM to produce the desired effects on an organisation's performance are known as critical factors. Some of the critical factors most frequently studied in the literature include leadership and top management commitment, strategic planning, continuous improvement, customer focus, data-based management, human resources management, process management and control and supplier management. Moreover, the literature presents evidence on the positive effect of this management philosophy on organisational performance (Kaynak, 2003; Prajogo & Sohal, 2006).

Bou-Llusar et al. (2009), Calvo-Mora et al. (2014) and Kim et al. (2010) show how excellence models offer a suitable reference framework that facilitates the implementation and improvement of TQM. In Europe, the EFQM model is the best-known and most

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