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Competitive Advantage, Quality Strategy and the Role of Marketing

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The improvement of product and service quality has been widely discussed in the literature as an appropriate competitive strategy for achieving sustainable competitive advantage. However, neither the linkage between competitive strategy and quality, nor the role of marketing in the implementation of quality-based competitive strategy, has received detailed attention in the marketing and strategy literatures. This paper explores the interface between marketing and quality management in seller organizations, by developing a contingency model of quality strategy. This model is grounded in the literatures of marketing, strategy and quality management, and the perceptions of managers uncovered in exploratory interviews.

Introduction

The 1980s witnessed increasing attention to the strategic nature of product/service quality (e.g. Leonard and Sasser, 1982; Parasuraman *et al.*, 1985; Jacobson and Aaker, 1987). A number of studies, particularly those utilizing PIMS (Profit Impact of Market Strategy) data, have suggested that perceived product/service quality is positively associated with business performance (Curry, 1985; Buzzell and Gale, 1987; Capon *et al.*, 1990). Consequently, quality improvement has been widely cited as a basis for achieving sustainable competitive advantage (e.g. Ross and Shetty, 1985; Luchs, 1986). In response to the growing importance of product/service quality, analysts have identified changes in management approaches to the quality issue culminating in the emergence of a 'total quality management' (TQM) paradigm (Garvin, 1988; Schonberger, 1990). TQM emphasizes interfunctional involvement in the quality improvement process, the development of customer-based quality goals, and the use of process control techniques to ensure conformance (Feigenbaum, 1983; Oakland, 1989; Teboul, 1991). The management of quality has therefore come to be viewed as increasingly strategic and interfunctional in nature (Garvin, 1988).

However, in spite of the attention gained by programmes such as the Baldridge Award in the USA (Garvin, 1991), and the evident interest of senior managers in the strategic management of quality, our knowledge of the linkages between quality strategy and business performance remains limited (Jacobson and Aaker, 1987; O'Neal and Lafief, 1992). The major focus of attention in the marketing and strategy literatures has been on studying the correlates of quality (e.g. Buzzell and Wiersema, 1981; Curry, 1985; Tellis and Fornell, 1988). Relatively little attention has focused upon the fundamental questions of how quality may be effectively utilized as a base for competitive strategy, or the implementation role of marketing in achieving sustainable competitive advantage through product/service quality (Phillips *et al.*, 1983; Takeuchi and Quelch, 1983; O'Neal and Lafief, 1992, Morgan and Piercy, 1992).

The aim of this paper is to develop a conceptual model of the implementation role of marketing in achieving positional advantages through quality-based competitive strategies. First, we examine the limited literature concerning the linkages between product/service quality and competitive strategy, and the implementation role of marketing in quality strategy. Second, we compare the literature review to insights from executive interviews, to develop a contingency model of the quality dimension of competitive strategy. The logic underpinning these exploratory models in terms of literature and fieldwork interviews is expanded and includes specific examples from our sample as an aid to understanding. The synthesis of the literature and executive interviews leads us to develop five broad propositions for continuing empirical research. Finally, we extend the contingency model to develop a framework suggesting implementation implications for the role of marketing in quality strategy.

Methodology

An extensive review of the literatures of marketing, strategy and quality management was undertaken, in order to determine the extent and limits of existing knowledge of the linkages between product/service quality and competitive strategy, and of the role of marketing in quality strategy. In spite of the evident interest in this area among managers and academics, relatively little published research addresses these vital questions. We therefore supplement our literature review with insights generated from a series of executive interviews. This discovery-oriented approach (cf. Deshpande, 1983; Mahrer, 1988) is consistent with our objective of gaining a deeper conceptual understanding, and developing more concrete research propositions, in a relatively new and undeveloped area of inquiry (see Zaltman *et al.*, 1982). This approach is similar to those recently utilized in other areas of marketing research (e.g. Parasuraman *et al.*, 1985; Kohli and Jaworski, 1990).

The field research consisted of in-depth interviews with 37 managers in 20 UK organizations. In line with the objectives of this study, a purposive sampling plan was used in order to gain insights from a broad range of business environments. Within the sample seven organizations marketed consumer products, six organizations marketed industrial products and seven organizations marketed services. Of the managers interviewed, 18 held marketing positions and 19 held positions with responsibility for product/service quality, and in 16 cases it was possible to interview marketing and quality managers within the same Strategic Business Unit (SBU).

The personal interviews typically lasted 90 minutes and followed a standardized format. After a brief description of the research project each manager was asked a series of open-ended discussion questions relating to their understanding of the quality concept, the link between product/service quality and competitive strategy, and the implementation role of marketing personnel in quality strategy in their SBU. All the interviews were conducted by the same researcher and respondents' answers to questions were noted on a questionnaire-type instrument. This approach allows for more valid comparative qualitative analysis. While a large number of insights were generated in the study, we focus upon those emergent themes which, in combination with the literature, have the greatest potential for stimulating future empirical research through the formulation of research propositions.

Quality strategy and sustainable competitive advantage

Contemporary strategic thinking is dominated by the central notion that superior business performance is the result of the attainment of sustainable competitive advantage (SCA) (South, 1981; Day and Wensley, 1983; Porter, 1985). The successful identification, development and deployment of effective bases of SCA has been viewed as a central principle of both business and marketing strategy (Day, 1984; Kerin *et al.*, 1990). In turn, the quality management literature proposes that product/service quality improvement is an important basis for achieving SCA (e.g. Crosby, 1979; Deming, 1982; Feigenbaum, 1983).

The major normative models of the quality improvement process propose that improving product/service quality leads to SCA by lowering unit costs, increasing market share and decreasing price sensitivity (Crosby, 1979; Taguchi and Wu, 1979; Deming, 1982; Feigenbaum, 1983; Ishikawa and Lu, 1985; Groocock, 1986; Juran, 1988). In fact, the hypothesized relationship between quality improvement and lower unit costs has received only limited support in empirical studies (e.g. Phillips *et al.*, 1983; Jacobson and Aaker, 1987; Garvin, 1988). Empirical studies using the PIMS database report correlations between product/service quality and market share (Phillips *et al.*, 1983; Jacobson and Aaker, 1987; Buzzell and Gale, 1987), but the quality management literature does not attempt to tease out the relationship between product/service quality improvement and competitive strategy.

In the strategy literature there is evidence of considerable ambiguity concerning the role of quality in competitive strategy. Dess and Davis (1984) examined Porter's 'generic strategy' propositions, and found that their 'product quality control' variable was highly associated with both 'low cost' and 'differentiated' strategies. Similarly, in two strategy-performance studies reported in 1988, one found high product quality as the single most important variable in a 'product differentiation' strategy (Kim and Lim, 1988), while the second study found product quality control to be the most important variable in an 'efficiency' strategy (Robinson and Pearce, 1988).

Thus despite the prescriptions of much of the quality management and business strategy literatures, and the widely held belief among managers regarding the importance of product/service quality to competitive success (e.g. Aaker, 1989), there is little conceptual understanding or clear empirical evidence of a linkage between quality improvement and sustainable competitive advantage.

The role of marketing in quality strategy

In the marketing literature the issue of product/service quality has received a good deal of attention. However, this has focused primarily on the consumer and examined relationships between quality and price, quality and advertising and the consumer service quality evaluation process. The literature relating to the role of marketing in quality improvement efforts within seller organizations is very limited (Takeuchi and Quelch, 1983), and consists primarily of prescriptions in three major areas:

(i) the use of marketing communications to publicize product/service quality improvements to gain non-price competitive advantage (Bertrand, 1987; Cravens, 1988)
(ii) applying quality improvement concepts and methods to the marketing management function (Berry and Cooper, 1984; Kohoutek, 1988; Locander, 1989)
(iii) identifying market research and competitor intelligence roles for marketers as inputs to cross-functional team approaches to quality improvement (Cravens *et al.*, 1988; Locander, 1989; O'Neal, 1990).

The quality management literature is replete with normative models of the quality improvement process (e.g. Crosby, 1979; Deming, 1982; Feigenbaum, 1983; Ishikawa and Lu, 1985). These normative models typically define implementation roles for marketers involving the generation and analysis of market information. Specifically such implementation tasks include determining customer needs, requirements and priorities through market research; setting product/service specifications based on customer data; and analysing customer complaints, returns and warranty claims (Feigenbaum, 1983; Hagan, 1984; Groocock, 1986; Oakland, 1989).

However, there are indications that the implementation role of marketing advocated in the prescriptive literature may not reflect the reality of the role currently played by marketers (Morgan and Piercy, 1992; Piercy, 1992). For example, Schmalensee (1991) expresses concern about the limited involvement in quality improvement by services marketers. Similarly, Cravens *et al.* (1988) suggest that most marketers see quality primarily as a manufacturing responsibility, and Law and Cousins (1991) suggest that many quality strategies are formulated and implemented without the involvement of the marketing function.

Our executive interviews revealed that in the majority of the companies in question, the marketing function had little or no involvement in quality strategy. Typical comments from quality managers included:

> 'the role of marketing [in quality strategy] in this SBU is a bit thin and hard to get hold of'

and

> 'the marketing people don't contribute anything.'

Similar views were expressed by the majority of marketing managers interviewed. Many of the marketing managers were completely unaware of the nature and content of their own organizations' quality strategy, and they generally saw quality strategy as the responsibility of quality functions or manufacturing/operations.

A contingency perspective

The exploratory executive interviews confirm the view of some quality management analysts, who suggest that there are considerable variations in quality management strategies and marketing implementation roles across seller organizations (Feigenbaum, 1983; Garvin, 1988). While our knowledge of these relationships within organizations remains limited, we are unable to develop more general theoretical models with any confidence. In this situation, the utilization of a contingency approach may offer a constructive route forward (Day and Wensley, 1983; Zeithaml *et al.*, 1988a). In this context, two contingencies of particular importance are revealed in both the literature (e.g. Crosby, 1979; Garvin, 1988), and the executive interviews. These contingency variables concern the *organizational definition of quality* and the *type of positional advantage* pursued in the marketplace.

The organizational definition of quality

The literature in this area suggests that organizations interpret and approach the quality issue in a number of different ways. Certainly, writers in the quality management area have suggested that many operational problems are a direct result of the multiplicity of the quality definitions used by managers (e.g. Crosby, 1979; Feigenbaum, 1983). More explicitly, Garvin (1988) suggests that definitional ambiguity leads to 'competing' views of what quality actually means, and causes 'serious breakdowns in communication' between functional areas and departments within business units (Garvin, 1988). This was supported in the executive interviews, where, for example, one quality manager commented that:

> 'the biggest barrier to quality improvement in this company is not a lack of commitment, but a lack of understanding.'

The existence of multiple, and often conflicting, definitions of quality also creates substantial problems for theory development (Holbrook and Corfman, 1985). It has been suggested that researchers in the disciplines of philosophy, economics, marketing and operations management have all explored the quality issue independently, and that:

> 'the result has been a host of competing perspectives, each based on a different analytical framework and employing its own terminology.' (Garvin, 1988, p. 46)

In the context of our inability to adequately conceptualize the quality concept (Holbrook and Corfman, 1985), our limited knowledge of the linkages between competitive strategy and quality is unsurprising.

The limited literature in this area, and the responses of managers in the exploratory interviews, suggests that the most important definitional issue associated with the quality-competitive strategy link is the objective/subjective nature of the quality concept. A number of analysts have suggested that quality may be viewed as an amalgam of two separate, but interwoven, concepts. In the service context, Townsend and Gebhardt (1988) identify these as 'quality in fact' and 'quality in perception'. Others have discussed these concepts in terms of 'objective' quality and 'perceived' quality (e.g. Monroe and Krishnan, 1985).

Objective quality has been defined as:

> 'the unbiased measurement of quality based on characteristics such as design, durability, performance, and safety.' (Riesz, 1978)

Thus, objective quality relates to product/service attributes and how these conform to some objective standard. Perceived quality has been defined as:

> 'the perceived ability of a product to provide satisfaction "relative" to the available alternatives.' (Monroe and Krishnan, 1985)

In the service context, perceived quality has been further described as:

> 'a form of attitude, related but not equivalent to satisfaction, and resulting from a comparison of expectations with perceptions of performance.' (Parasuraman *et al.*, 1988)

There is some agreement that while we may not yet fully understand the precise nature of objective and perceived quality, there are significant differences between these constructs (Holbrook and Corfman, 1985; Zeithaml, 1987). The exploratory interviews strongly suggested the existence of two distinct interpretations and operationalizations of the quality concept, and hence quality strategy, reflecting the objective/perceived dimension. The majority of managers interviewed defined quality in terms of meeting requirements and specifications. However, fundamentally different quality strategy approaches were developed depending upon the manager's own view as to the objective/perceived nature of the quality concept. This perceptual difference evident within, and between, seller organizations suggests the proposition:

P1: Managers interpret and operationalize the quality concept in two distinct ways – 'objective quality management' and 'perceived quality management'.

Further, there may be some grounds for hypothesizing a relationship between the way in which managers interpret the quality concept and their functional backgrounds and experience (Garvin, 1984; De Souza, 1989; Webster, 1994). The impact of the functional background of managers has been found to be related to selective perception (e.g. Dearborn and Simon, 1958), and there have been numerous accounts of the differing cultural values, beliefs and perceptual outcomes that exist between marketing managers and operations/ manufacturing managers within organizations (e.g. Shapiro, 1977; Bateson, 1990; St John and Rue, 1991; Griffin and Hauser, 1992). Indeed, such differences are emphasized by the concept of 'environmental enactment' (Weick, 1969), which undermines the implicit assumption that the environment is objectively well-structured and understood, and suggests subjectivity and social biases in perceptions of critical external contingencies.

It has also been suggested that the difference between objective and perceived quality may be representative of the different perspectives on defining quality that exist between the manufacturer/supplier and the consumer (Bonner and Nelson, 1985; Zeithaml, 1987). Indeed, a number of the marketing managers interviewed suggested that while their organizations defined quality in terms of 'meeting requirements', this was operationalized in terms of internal operating requirements, rather than in terms of external customer requirements. In this context it is possible that the customer focus inherent in the marketing concept, and the boundary spanning position occupied by the marketing function, may lead marketers to view quality as a perceived, subjective concept, while other functional areas such as manufacturing/ operations may be more likely to adopt the objective perspective (Garvin, 1984; De Souza, 1989; Webster, 1994).

We hypothesize that a manufacturing/ engineering dominated organizational context will be associated with quality strategies based upon the *objective* perspective, while a marketing-oriented organizational context will be associated with *perceived* quality management strategies and approaches. Therefore, we expect that:

P2: The type of quality strategy developed by an organization will be related to the relative dominance of either a manufacturing/ operations or marketing orientation.

Type of positional advantage pursued

A related contingency which may impact on the linkage between quality and competitive strategy is the type of positional advantage pursued. In the marketing and strategy literatures, quality has been mainly associated with competitive strategies designed to achieve differentiated positional advantages (e.g. Hall, 1980; Porter, 1980; Curry, 1985). Both managers and strategy analysts view quality as one of the most appropriate bases upon which organizations may differentiate their products and services to gain positional advantage (Aaker, 1989; Buzzell and Gale, 1987).

In contrast the strategy and marketing literatures rarely discuss quality improvement in the context of the pursuit of cost advantage. However, challenges to 'economic cost of quality' models from manufacturing/operations specialists (e.g. Feigenbaum, 1983; Hayes and Clark, 1985; Plunkett and Dale, 1988) have indicated that quality management approaches and strategies may be particularly associated with reductions in unit costs. Thus, the quality management literature suggests that there may be an important role for quality programmes in business strategies designed to pursue low cost advantage (e.g. Deming, 1982).

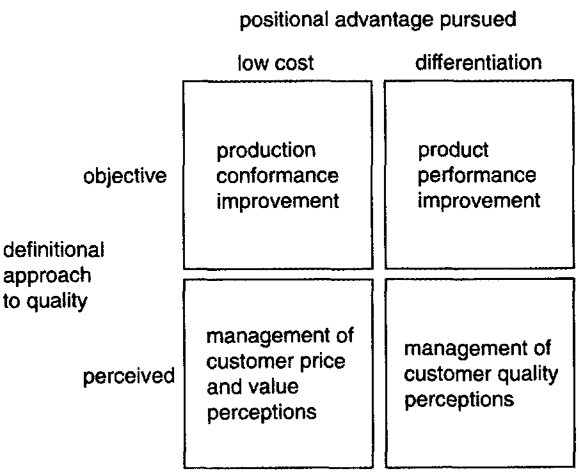

Figure 1. A contingency model of quality strategy

In support of the quality management literature, the fieldwork interviews revealed that a primary objective of quality strategy in a number of the sample organizations concerned efficiency improvements and cost reduction. An almost equal number of the sample organizations were pursuing internal cost-based and external differentiation-based objectives in their quality strategies. However, a small number of both the marketing managers and quality managers interviewed felt that the linkage between quality strategy and competitive advantage pursued had never been made explicit and was not well understood within their organizations. There was a strong feeling among a number of managers that quality improvement in their SBU was viewed as an end in itself, and not as an explicit component of competitive strategy.

The contingency of type of positional advantage pursued reflects not only the prescriptions of much of the strategy and quality literatures, but also the ways in which the quality–performance relationship has been modelled. Improved product/service quality has been modelled as impacting upon company performance in two distinct ways: through lowering costs by increasing conformance; and through raising income by decreasing price sensitivity and increasing appeal to customers (Buzzell and Gale, 1987; Garvin, 1988; Juran, 1988). Our fieldwork findings support the proposition that improving product/service quality may be congruent with both cost-based and differentiation-based competitive strategies, but suggest that the goals and content of quality strategy, and the quality–performance linkage, may be different under each contingency. Hence we expect that:

P3: The type of quality strategy implemented by an organization will be related to the desired positional advantage pursued through its competitive strategy.

A quality strategy contingency model

Considering both the contingency factors of quality definition (an organizational context variable), and positional advantage pursued (a competitive strategy variable) suggests a typology of four different quality strategies (Figure 1). It should be noted that the suggestion that there are different types of quality strategy that may be appropriate under different conditions contrasts with certain parts of the quality management literature, which argues that there is a single quality strategy appropriate under all conditions. Further, following the logic of Miles and Snow (1978), we propose that the model also suggests that *consistency* between the quality strategy implemented, positional advantage pursued and the cultural context of the SBU may be an important determinant of performance outcomes. Alignment between quality management and strategic plans has already been identified as an important linkage in delivering business performance benefits (Garvin, 1991; Easton, 1993).

For each of these different quality strategies the sources of advantage – the skills and resources of the organization – necessary to achieve a desired positional advantage may be different. The role of marketing in the implementation process that deploys these sources of advantage is also likely to be different for each type of quality strategy. The contingency model in Figure 1 may be extended, as shown in Figures 2 and 3, to include consideration of the fundamental sources of advantage appropriate to each type of quality strategy and the associated implementation roles of the marketing function. To support these propositional models we develop the underpinning logic based on the extant literature and the exploratory fieldwork interviews, highlighting particular examples as an aid to understanding.

In businesses pursuing a differentiation advantage, the focus of competitive strategy is to

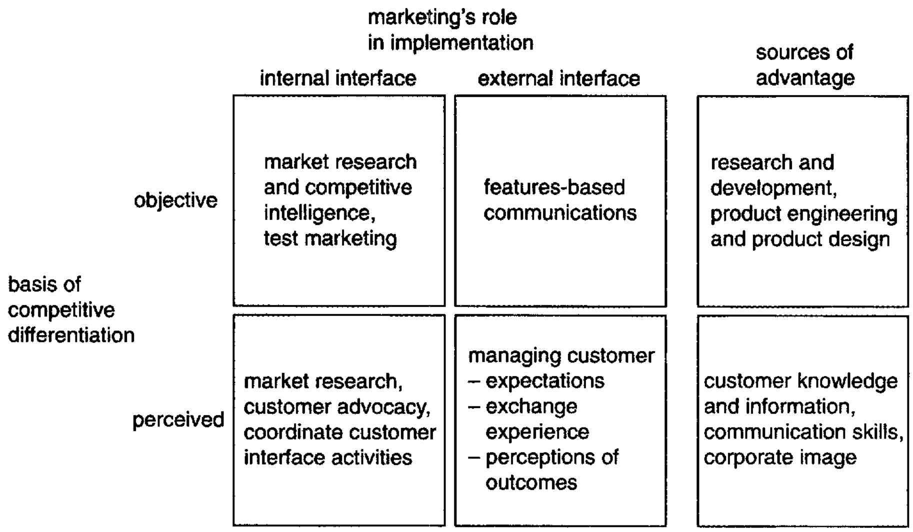

Figure 2. Marketing's implementation role in differentiated quality strategy

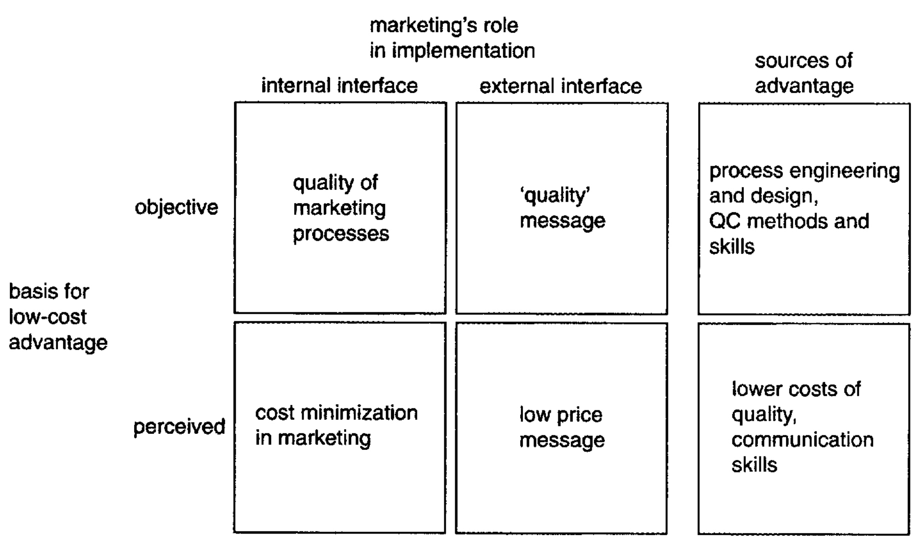

Figure 3. Marketing's implementation role in low-cost quality strategy

achieve positional advantage through effectively differentiating the product or service in the mind of the target customer (Coyne, 1986; Day and Wensley, 1988). Achieving a differentiated positional advantage on the basis of product/service quality has the potential to deliver market-based performance benefits in terms of decreased price sensitivity, increased customer loyalty and favourable word-of-mouth recommendation (Feigenbaum, 1983; Juran, 1988; O'Neal and Lafief, 1992). However, the sources of advantage deployed in pursuit of a quality differentiation position in a market place will depend significantly upon the definition of quality that is dominant in the organization. The fieldwork interviews strongly suggested, in particular, that managers pursuing the same positional advantages in their competitive strategy developed and implemented different quality strategies to achieve this, based upon their definition and interpretation of the quality concept as either a subjective customer perceived concept or as an objective and tangible 'reality'. This is consistent with the notion that management perceptions are influential forces in strategic choices (e.g. Anderson and Paine, 1975).

In a business unit dominated by an objective definition, quality will be defined and managed in terms of objective product/service attributes. The primary focus in this type of quality strategy is on improving the objective performance of the product/service delivered on measurable attributes such as durability, speed, features, etc. This quality strategy is consistent with product differentiation strategies identified in empirical studies (e.g. Miller and Friesen, 1986; Kim and Lim, 1988). This approach has, for example, characterized the quality strategies adopted by US domestic automobile manufacturers in the recent past as they have fought to achieve reliability and consumption performance levels that are comparable to those achieved by foreign manufacturers (Garvin, 1988).

In order to enhance product and service attributes and improve performance characteristics in support of a differentiation strategy, an organization will need to develop and deploy sources of advantage in the areas of research and development and product/service engineering and development. The development of improved materials, designs and features is fundamental to achieving quality differentiation in terms of objective performance.

Based on the executive interviews eight of the twenty companies in the sample appeared to be pursuing this type of quality-based competitive strategy. One of these eight, a supplier of thermodynamic components to the defence industries, saw its competitive approach as based almost solely upon technical and service performance superiority over competing suppliers. Managers pointed to the company's unusually large R&D expenditure on 'blue sky' research (i.e. problem-oriented rather than problem-solving), and its experience and expertise in technical product engineering and design, as the fundamental sources of competitive advantage. Another of the eight is a law firm pursuing a similar quality-based competitive advantage in the personal injury litigation market. The managers interviewed pointed to the firm's lawyers' ability to set legal precedents in workplace injury cases – the major form of R&D in the legal profession – as the 'building block' of the firm's competitive strategy. This source of advantage was reinforced by the firm's ability to hire the brightest lawyers and its insistence on legal research 'sabbaticals' for professional staff. Both of these cases are examples of companies with a dominant technical/engineering orientation pursuing differentiation positional advantages through quality-based competitive strategies. These strategies focus upon outperforming competitors on objective product/service performance attributes.

Conversely, in business units dominated by a subjective definitional approach, quality will be defined in terms of customer perceptions rather than objective product/service performance. In pursuing a differentiation advantage, the primary focus of this type of quality strategy is upon improving customer perceptions of the product/service delivered relative to competitors. This is consistent with the 'marketing differentiation' competitive strategy type identified in empirical examinations of strategy content (e.g. Miller and Friesen, 1986; Kim and Lim, 1988). This type of quality strategy is often used in 'luxury' product markets and also in many service industries where tangible service performance attributes may be more difficult for customers to examine in making quality evaluations (Parasuraman *et al.*, 1985).

In order to influence customer quality perceptions an organization has to develop and deploy sources of advantage in the areas of customer knowledge and information, and have superior abilities in communicating with customers (Zeithaml *et al.*, 1988b). Market research and intelligence are important mechanisms for uncovering the evaluative criteria and 'cues' utilized by customers in forming quality perceptions (Zeithaml, 1987). Communication skills are subsequently important in influencing customer quality perceptions and ensuring appropriate quality 'signals' are communicated (Bloom and Reeve, 1990). It has also been proposed in the services context that corporate image and company reputation are important in influencing customer perceptions of quality (Gronroos, 1984).

Some additional support and insight in this area was generated in the executive interviews where six companies appeared to be pursuing this type of quality strategy.

One of the companies, a security business operating in the facilities protection market, found that corporate customers were either largely unable or unwilling to become involved in extensive objective quality assessment. Research suggested that corporate customers utilized two main cues in forming quality perceptions: turnover of security staff and payment levels to on-site security officers. These criteria became the focus of both comparative advertising and personal selling messages, in support of the company's pursuit of positional advantage through a perceived quality differentiation. Another – an SBU producing breakfast cereals – set quality goals, monitored quality performance and initiated specific quality improvement actions and programmes, solely on the basis of external market research involving weekly focus groups, consumer panels and 'blind and seen' taste tests. In this company the building and maintenance of the corporate and individual brand images is viewed as critical to influencing customer quality perceptions.

Pursuit of a cost-based positional advantage in a business unit dominated by an objective definitional approach to quality is likely to lead to internal conformance-based definitions and measures. The primary focus of this type of quality strategy is the management of costs through the effective design and control of manufacturing/service delivery processes. The quality management literature is dominated by prescriptions for achieving these goals through the minimization of variation within and outside required specifications in manufacturing and service delivery systems (e.g. Deming, 1982; Juran, 1988). The sources of advantage appropriate to the effective delivery of this quality strategy involve process engineering and design expertise that allows the operations/production process minimum opportunities for wasteful error. Also necessary is the ability to monitor and control variation within the operations/production process, and this relies upon the effective use of quality control methods such as statistical process control, Taguchi experimental methods and Pareto analyses. These sources of advantage allow the organization to minimize the 'internal costs of failure' such as scrap, re-work, etc. and thus costs may be more effectively managed and productivity improved (Crosby, 1979; Deming, 1982).

Fewer companies in the fieldwork interviews appeared to be pursuing this type of quality strategy – four of the sample of twenty. One – an automotive components manufacturer – indicated that the company was beginning to reap the cost management and productivity improvement benefits of investments in statistical process control and training for all their manufacturing staff, and the simplification of the manufacturing process for a new product line through component standardization. The quality department in this company also believed that more rigorous supplier evaluation had helped to increase productivity.

Only one of the service businesses in the sample – an insurance company – was found to be pursuing this type of quality strategy. The increasingly competitive environment for this insurance business led to the introduction of 'quality concepts' into the organization for the first time, with the explicit intention of reducing 'back office' costs. This included the 'blueprinting' of service production and delivery systems in an attempt to redesign these processes to use fewer human service providers. A very clear signal of this intention was the creation of a post for the person responsible for quality with the title 'Business Efficiency Manager'.

Pursuing a cost-based competitive advantage when quality is approached as a customer perceived variable leads to a focus upon the management of customer perceptions of price and 'value'. This type of quality strategy requires two fundamental sources of advantage: superior abilities in controlling the 'cost of quality' and the ability to effectively communicate price advantages relative to product/service quality in the market place. Quality control skills and methods may enable the organization to lower the internal, external and inspection costs of quality and allow cost reductions and productivity improvements to benefit the customer through lower prices (Deming, 1982; Juran, 1988). This is consistent with the notion that lowering costs to the buyer relative to competitors is one route to securing sustainable competitive advantage (Porter, 1980; Day and Wensley, 1988). However, competitive parity on other product/service elements important to the customer must also be maintained (Porter, 1985). It is therefore important that the organization has the communication skills necessary to deliver the low price message to customers while ensuring that customer product/service quality perceptions remain acceptable.

Only one organization in the fieldwork sample appeared to be directly pursuing this type of quality strategy. The company is an SBU of a large multinational bank that markets consumer finance services for larger purchases such as cars, home re-modelling, etc. Managers utilize a large number of process design and problem identification and solving methods in cross-functional teams, with the explicit and widely understood aim of reducing both the internal and external 'costs of failure', and the cost of quality control itself. The cost savings and productivity improvements achieved following several years of investment in training, consultancy and 'corrective action teams' has enabled the SBU to offer some of the cheapest finance rates in the market. In order to avoid the danger of low price becoming an indicator of low quality, the SBU utilizes the corporate image of its parent bank and its long history of stable trading as a signal to offset potentially damaging price-quality relationship perceptions.

Another company which was more difficulty to classify – due to widely divergent views between the two managers interviewed – also appeared to be pursuing this type of quality approach although somewhat less directly. The company – a life insurer – was engaged in quality initiatives designed to cut costs, and the company is considered within the industry to be a low-cost provider operating in a particularly price sensitive segment. However, the marketing effort of the firm was not directed at directly managing customer price and 'value' perceptions, but focused upon minimizing customer perceived risk by building a solid and 'respectable' corporate image.

Both the literature and the fieldwork interviews reported here support the central thesis that different quality strategies are developed in both different organizational contexts, and in support of different competitive strategies.

We have been unable, however, to determine the degree to which the quality strategies identified are mutually exclusive. Advocates of the single quality improvement approach appropriate in all conditions (e.g. Luchs, 1986; Lascelles and Dale, 1988) are likely to argue that in order to maximize the performance benefits delivered by quality improvement, organizations should pursue all four of the quality strategies identified. However, we believe that in terms of maximizing performance benefits, each of the quality strategies identified is mutually exclusive. Our proposition is based upon two major arguments:

(i) that cost-based quality strategies and differentiation-based quality strategies cannot be effectively or efficiently pursued simultaneously, as each strategy imposes conflicting and contradictory implementation priorities and activities. This follows the Porter (1980) 'stuck in the middle' rationale, suggesting that pursuing some middle course a company will be unable to either differentiate or manage costs more effectively than competitors over time. We believe, with some support from the 'cause and effect' beliefs of the executives interviewed, that business performance outcomes can be affected by the alignment between the type of quality strategy implemented and the type of business strategy that it is designed to support

(ii) that at least in the short term the dominant cultural context of an organization is difficult and costly to change. Thus a senior management decision to pursue a customer-perceived quality strategy in an organization dominated by a manufacturing orientation and an objective definitional approach is likely to be problematic. Either implementation difficulties will be encountered due to a mismatch between strategy and culture, or the organization will be forced to bear the cost and upheaval of some form of programme of cultural change.

This does not mean however, that companies will be unable to change quality strategies over time. Ford provides a recent example of this kind of shift, moving from a 'product performance improvement' quality strategy to a 'customer perceived' quality strategy. Having improved objective attribute performance relative to foreign competitors using the internal slogan and external advertising message of 'Quality is Job No. 1', Ford has now, among other strategic imperatives, shifted its emphasis to the more direct management of customer quality perceptions using the new message 'Customer is Job No. 1' (*Marketing News*, 9 November 1992).

The implementation role of marketing

In any consideration of sustainable competitive advantage, a vital, but often neglected process, is the effective implementation of business strategies (Lenz, 1980; Porter, 1985). Within the business strategy implementation process the marketing function has been viewed as particularly important because of its boundary spanning role (e.g. Walker and Ruekert, 1987; St John and Rue, 1991; Piercy, 1992). Further, the process and content of implementation may be viewed as a primary purpose of any marketing organization (Cespedes, 1991). In spite of this recognition however, explicit consideration of marketing's implementation role in business strategy has been relatively neglected (Bonoma, 1985; Morgan and Piercy, 1992; Piercy and Cespedes, 1996).

In contrast with the prescriptions for the role of marketing discussed earlier, the quality strategy contingency model provides a framework for developing a clearer understanding of the implementation role of marketing in quality strategy. In particular, the contingency model suggests that marketing's implementation role will vary with the type of quality strategy pursued by an organization. Conceptually, there is a considerable body of literature that has supported a link between strategy type and functional competencies within organizations (e.g. Snow and Hrebiniak, 1980; Hitt *et al.*, 1982; Hambrick, 1983). This link has also been established specifically in terms of marketing functions and activities (e.g. McKee *et al.*, 1989; Conant *et al.*, 1990). The executive interviews provide some support for the notion that marketing implementation activities and priorities are significantly influenced by the type of quality strategy pursued.

Hence we propose that:

P4: The implementation role of marketing in quality-based competitive strategies is dependent upon the type of quality strategy pursued.

Conceptually marketing's implementation role in business strategy is concerned with managing two critical interfaces, the external interface of customers, distributors, etc. and the internal interface with other functions, internal systems and structures (Locander, 1989; Cespedes, 1991). This framework was used to examine the marketing activities associated with the types of quality strategy revealed in the executive interviews to produce Figures 2a and 2b. A number of the marketing managers interviewed, however, did not feel that they were engaged in the most appropriate or effective implementation activities to support a quality-based competitive strategy for a number of reasons. The most common cause appeared to be that quality strategy responsibility rested with staff specialists, and was subsequently managed in isolation from competitive strategy. In these cases we sought to question the manager's 'cause and effect' beliefs as to the most appropriate implementation role of marketing in organizations pursuing different quality strategies.

The pattern emerging from the executive interviews suggests the following broad points:

(a) In a differentiation/objective quality strategy marketers are concerned with supporting attempts to improve product/service attributes and to use this improvement to gain non-price competitive advantage. In managing the internal interface a number of managers interviewed were concerned with providing market research and competitive intelligence to help focus R&D and product development activities. Externally marketers were then tasked with communicating relative attribute performance and benefits to target markets.

(b) Marketing's role in a differentiation/perceived quality strategy is seen as critical to successful implementation. Marketing managers supporting this type of strategy were sensitive to the need to constantly represent and reinforce the 'voice of the customer', both through the formal communication of market information and also informally in face-to-face meetings and contact with other functional managers. Externally marketers were attempting to 'manage' the customer quality evaluation process through setting realistic customer expectations, coordinating organizational/customer interface activities to control the customer's exchange experience as far as possible, and targeting post-purchase communication messages at customers in an attempt to manage perceptions of outcomes.

(c) In a cost-based/objective quality strategy the implementation role of marketing appeared to be substantially less important. There was evidence of some attempt to introduce quality management concepts and methodologies in order to help improve the quality of marketing processes, such as brochure production and the provision of promotional material to sales forces, but these were perceived by marketing managers as peripheral implementation activities. In a few cases marketers were also expected to incorporate a quality message of some kind in all external advertising copy, often using an internal quality slogan or programme title.

(d) The major difference in cost-based/perceived quality strategies was the need not only to manage costs more effectively than competitors, but to use this advantage to lower prices to customers, and further to manage customer perceptions of both price and relative product/service value. These two imperatives were reflected in one case in the sample by strict zero-based budgeting for marketing activities and the use of price-based comparative advertising balanced with extensive use of parent company corporate image in order to minimize customer perceived risk.

This initial evidence suggests that while the marketing function may have the potential to play a central role in implementing quality-based competitive strategies (e.g. Locander, 1989; Berry and Parasuraman, 1991), the importance of the marketing function and the specific implementation activities undertaken will be dependent upon the type of quality strategy pursued by an organization. A fuller operationalization and testing of this proposition poses considerable problems, but is currently being attempted in a further stage of this research.

Implications

The quality strategy contingency model developed here challenges certain of the claims made in the quality management literature that quality improvement programmes are a single approach, which is equally applicable in any type of organization and supports any type of competitive strategy.

Limitations and future research

The limitations of this research relate primarily to the lack of directly relevant literature and the relatively small number of executives interviewed in the exploratory fieldwork. First, while attempting to anchor our conceptualization in the existing literature wherever possible, obvious problems are created by the inadequacy of our existing knowledge of the competitive strategy/quality improvement linkage and the marketing/quality management interface evidenced in the literature. However, we believe that the research propositions generated by our interviews and developed here have sufficient conceptual support to warrant future development and testing. Second, the purpose of the executive interviews was to provide insight and guidance for the development of theoretical propositions, not to test previously developed propositions. This 'discovery oriented' objective is best served by in-depth interviews with open-ended questions and discussion (Kaplan, 1964). This necessarily limits the number of interviews that may be conducted as they are a resource-intensive method of data collection. However, the sample of companies in which in-depth interviews took place, while not large, did include a wide range of businesses. Further, some control over the influence of environmental factors in understanding the perceptions of quality managers and marketing managers was provided by interviewing managers working in the same SBU in a large number of the companies in the sample.

While some of the research propositions developed here are potentially capable of testing in the near future, others are more problematic due to the current lack of concept and construct development evidenced in the extant literature. In particular, the process of examining and interpreting the existing and potential interface relationships between marketing and quality management may depend upon a more robust conceptualization and understanding of the nature and definition of quality. This must form a priority for future research.

In spite of these problems and limitations this is clearly an area which is attracting a great deal of interest and there is an urgent need to explore what senior managers are increasingly recognizing as critical interfaces in the pursuit of sustainable competitive advantage and superior business performance. It is important that our current lack of knowledge and conceptual development is not allowed to form a barrier to future work in this increasingly important area and we hope that our contingency model and the research propositions developed will form a stimulus for further work and development.

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