Article Citation:
Adam S. Maiga and Fred A. Jacobs (*2006*) Assessing the Impact of Benchmarking Antecedents on Quality Improvement and its Financial Consequences. Journal of Management Accounting Research: December 2006, Vol. 18, No. 1, pp. 97-123.

doi: http://dx.doi.org/10.2308/jmar.2006.18.1.97

ARTICLES

Assessing the Impact of Benchmarking Antecedents on Quality Improvement and its Financial Consequences

Adam S. Maiga[a] and Fred A. Jacobs[b]
[a]University of Wisconsin–Milwaukee.
[b]Georgia State University.

The objective of this study is to assess whether firms involved in quality benchmarking projects achieve greater actual quality improvements if they have in place the benchmarking antecedents identified by Elnathan et al. (1996). To show the financial impact of these results, we further assess the effect of quality improvement on profitability, both through relative cost improvement and through other means. To this end, we collected data from 457 manufacturing business units with qualitybenchmarking projects and analyzed the variable relationships using structural equation modeling. The results indicate a strong positive relationship between benchmarking antecedents and quality improvement and a significant impact of quality improvement on relative costs improvement, which in turn is significantly associated with profitability. However, the direct relationship between benchmarking antecedents and relative costs improvement or profitability is not significant, nor is the direct relationship between quality improvement and profitability. These relations are further analyzed within the context of quality and cost systems. Specifically, a comparison between the TQM/Non-ABC group and the Non-TQM/Non-ABC group shows that the TQM/Non-ABC group outperforms the Non-TQM/Non-ABC group and that the Non-TQM/ABC group outperforms the Non-TQM/Non-ABC group. Results show differences between groups, indicating the importance of cost and quality systems in improving manufacturing business unit performance. The implications, limitations, and directions for future research are discussed.

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