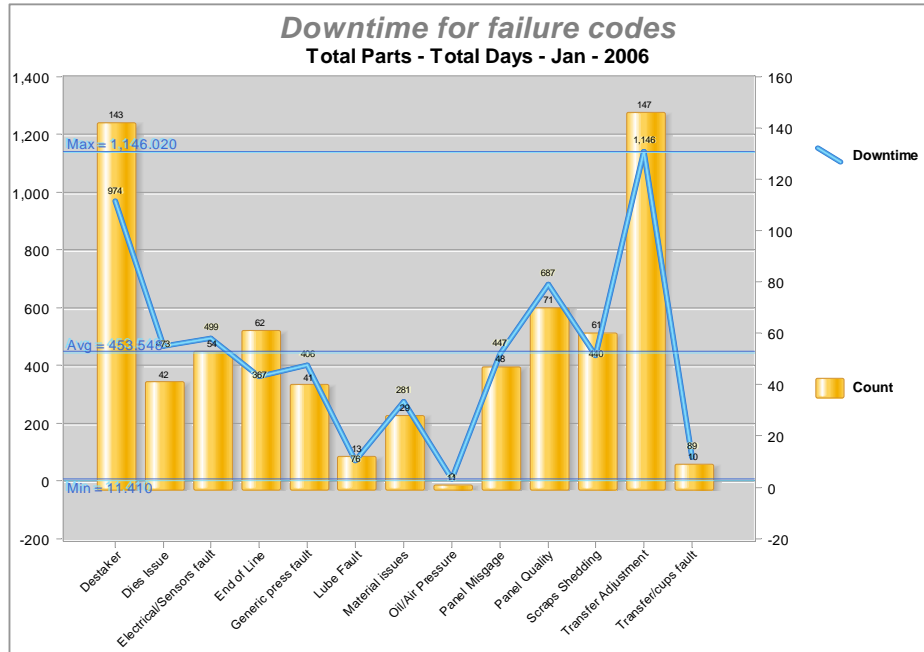


The very act of reducing reject & scrap, rework & defects, improving performances of products and customers' satisfaction should lead to increased profitability (Wruck and Jensen, 1994). Garvin (1983) indicated that earnings and market shares are positively affected by higher quality.

Quality and Profitability

There are as many disappointment and failures in the quality movements as there are success stories. Whether or not quality improves the businesses' bottom line is an important question. In past, some business fell into financial hardships soon after winning prestigious awards like Deming award (from Japan) and Baldrige award in United States (Jay and Peter, 1992). On the other hand, Toyota known for its best quality product is also most profitable auto manufacturer.

Furthermore, empirical studies done in the past have also shown links between the profitability and quality. Garvin (1983) and Hendricks and Singhal (1997) are important examples of such studies. Researchers have used earning before interest and tax (EBIT) as a measure of profitability. We have tested whether or not award winners have higher EBIT compared to the control group. Increases in sales growth and /or profit margin can increase EBIT. Again, Profit margin can be increased either by commanding premium price in the market or reducing the cost of production.



Quality and Sales

One of the aims of quality management is to satisfy customers. Baldrige award gives a very high importance to customer satisfaction (Garvin, 1991). It is expected that satisfied customers will lead to increased market share via more sales. Many practitioners understand this link and embark on quality management in order to increase their market, and only handful of them reported success (Jay and Peter, 1992). On the other hand, Toyota is now the number one car manufacturer (Economist, 2005, 2004). The success of Toyota is based on their reputation for high quality. Besides, empirical studies by Garvin (1983) and Hendricks and Singhal (1997) suggest a link between high quality and the market share. Thus, we have used change in sales for Baldrige award winners to that of the control group.

Quality and Cost

Wruck and Jensen (1994) consider total quality management (TQM) as “organizational technology” that allowed firms to increase their “productivity.” In fact, a need to save on production cost might have been one of the reasons for Toyota to pursue TQM. Toyota management observed that rework took considerable time and production cost for mass manufacturers like Ford, and rightly thought that doing things right in the very first time as an effective cost cutting measure (Womack et al., 1991; Fujimoto, 1999).

Quality and Profit Margin

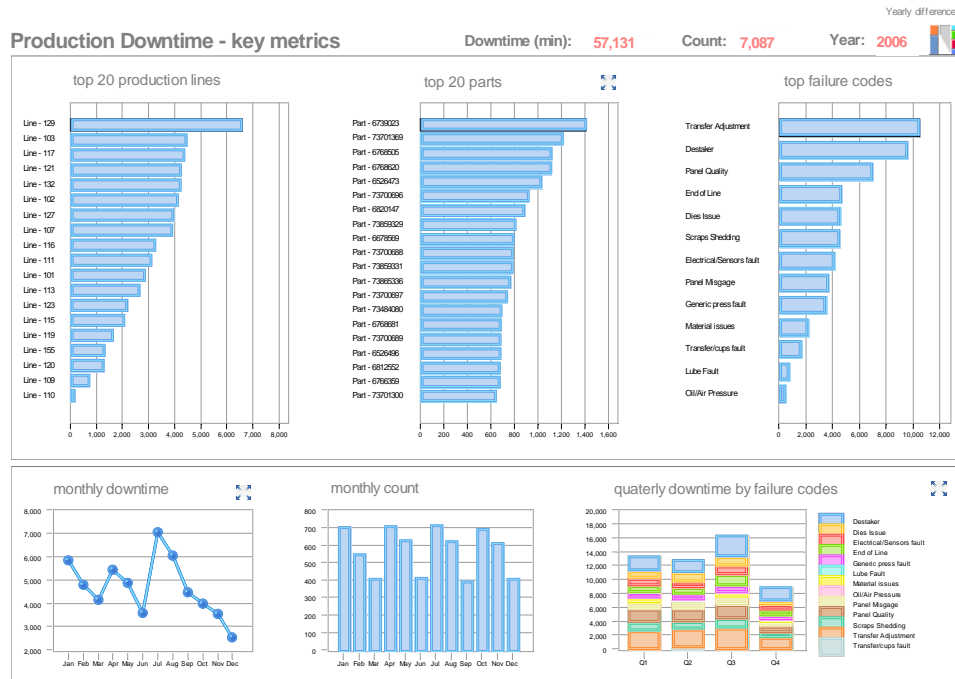
High quality good or service may command premium price. When premium price is charged firms can enjoy high profit margins, even when their cost structures are comparable to that of their competitors. However, premium prices and market share may not be complimentary. For example, Toyota and Honda despite their reputation of high quality do not charge premium. They are more interested in increasing their market share. Prices of different models of Toyota and Honda cars are average compared to same category cars produced by their competitors (Power report, the, 2002). There is a possible link, therefore, between quality and profit margins. Thus we compared the profit margins of award winners with those of control groups. Profit margin is measured as (Sales – Cost of good sold)/Sales.

Easy and smart data capture mechanism for all your quality data

Start with capturing critical data required for quality initiative and provide an offline data capture mechanism for organisations as a part of the solution, which will enable organisations' to have an improved infrastructure to capture Quality related data. These can be captured with minimal manual intervention by directly capturing data from the work centres in real time.

Easy and smart analytics for all your data

HiQube® solution architects have complete flexibility in controlling what and how data gets imported into the cubes. In case of ASCII flat files, record delimiters can be specified to easily map the data to the data model. The database connector allows free-hand SQL, which provides complete control of the data import process from SQL-compliant databases and data warehouse appliances. The SAP and the MATLAB gateways provide a direct connection to information and resources stored within these systems: ASCII files, Microsoft Excel, MATLAB, Databases that support ODBC, SAP R/3. HiQube's unique capability to link data, graphs, and statistics allows everyone in your organization to play with, probe, and understand the data. See relationships, uncover patterns, and identify relevant associations that affect your business



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"There is no doubt that relative perceived quality and profitability are strongly related. Whether the profit measure is return on sales or return on investment, businesses with a superior product/service offering clearly outperform those with inferior quality"