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Does quality management drive labour flexibility?

Ana Belén Escrig-Tena*, Juan Carlos Bou-Llusar, Vicente Roca-Puig and Inmaculada Beltrán-Martín

Departamento de Administración de Empresas y Marketing, Universitat Jaume I, Av. Sos Baynat, s/n, 12071 Castellón, Spain

This study aims to shed light on the contribution of quality management (QM) to labour flexibility by analysing the influence that QM has on internal and external labour flexibility. The study presents pioneer research in the empirical analysis of how QM impacts on labour flexibility. The hypotheses put forward are tested in an empirical study carried out on a sample of Spanish service companies. Structural equation modelling was used to analyse the data. The results indicate that QM is shown to have a positive effect on internal flexibility, as it promotes training or job enrichment. However, QM fosters job security with a negative effect on external flexibility.

Keywords: quality management; labour flexibility; internal flexibility; external flexibility; structural equations models

Introduction

Quality management (QM) is a widely recognised means of pursuing higher performance and greater competitiveness (Nair, 2006; Zairi & Alsughayir, 2011). However, some authors argue that this is accomplished by reinforcing stability and encouraging a structured organisational environment based on control (Hackman & Wageman, 1995; Soltani, Lai, Javadeen, & Gholipour, 2008). Consequently, QM would hinder employee flexibility. This argument is especially important in the current competitive environment characterised by greater international competition, fast-changing technologies and more volatile and segmented markets, in which sustainable competitive advantage based on greater labour flexibility is required (Roca, Beltrán, Bou & Escrig, 2008).

This increasing interest in labour flexibility has given rise to a research stream that suggests the existence of two types of labour flexibility: internal and external (Atkinson, 1984; Cappelli & Neumark, 2004; Martínez, Vela, Pérez, & de Luis, 2011). These two labour flexibility approaches are conceptually different. While internal labour flexibility involves modifications to the internal labour market (or work organisation) and focuses on the human capital already present in the company, external labour flexibility is based on the market, and flexibility comes from the external movement of workers.

The existence of two types of labour flexibility may help to explain the conflicting arguments put forward in previous literature on the relationship between QM and labour flexibility. On the one hand, Hackman and Wageman (1995) or Soltani et al. (2008) argue that QM is a means of tightening managerial control over the workforce, suggesting that QM can hinder labour flexibility. On the other hand, studies such as
Martínez, Pérez, Vela, and de Luis (2008) consider QM to be one of various work practices that can enhance workplace flexibility. The introduction of QM implies the use of certain human resource practices that have traditionally been linked to this type of flexibility.

Taking into account these a priori opposed views, the aim of this paper is to shed light on the relationship between QM and labour flexibility by analysing the influence that introducing QM might have on internal and external labour flexibility. We suggest that the effects of QM on flexibility may differ according to the type of flexibility. Some previous research has found evidence for a positive relationship between QM and flexibility, by analysing flexibility as an operational result (Merino, 2003), or as strategic flexibility (Gómez & Verdú, 2005). However, no previous work has attempted to show the relationship between QM and the two types of labour flexibility.

The rest of the study is structured as follows. First we present the theoretical arguments that enable us to defend the relationship between QM and internal and external flexibility, respectively. Structural equation modelling (SEM) is then adopted to test the hypotheses derived from the preceding discussion. Finally, the most important results and conclusions from the analysis of the hypotheses are presented.

**Literature review**

To explore the influence of QM on labour flexibility we turned to the competence-based perspective literature (Heene & Sanchez, 1997). From this perspective, according to Winter (1994, p. 93) or Grant (1995), QM is considered an important inter-functional competency capable of generating a set of routines and some performance standards within the organisation. By applying a particular collection of problem-solving heuristics and organisational practices, QM could contribute to enhance labour flexibility. Similarly, labour flexibility is understood as the company’s capability to match its human resources and work organisation to the changing environmental conditions (Atkinson, 1984; Valverde, Tregaskis, & Brewster, 2000). In the following subsections we introduce the types of labour flexibility and explain how they are related to QM.

**Labour flexibility and enabling elements**

Previous literature has essentially focused on two types of labour flexibility (Atkinson, 1984; Bacon & Blyton, 2001; Kalleberg, 2001; Cappelli & Neumark, 2004; McIlroy, Marginson, & Regalia, 2004; Martínez et al., 2011): internal and external flexibility.

Following Martínez et al. (2011), different types of internal labour flexibility could be described as functional flexibility or working time flexibility. Functional flexibility is understood as the versatility of employees to adapt their efforts and tasks to the demands of the company. Functionally flexible employees are polyvalent, with a wide repertoire of competences (Riley & Lockwood, 1997; Van den Berg & Van der Velde, 2005). Although there are other ways of achieving internal flexibility, some authors (Looise, van Riemsdijk, & Lange, 1998; Michie & Sheehan, 2001 or Zhou, Dekker, & Kleinknecht, 2011) link the concept of internal labour flexibility to the idea of functional flexibility. This is the approach we take in this paper, and hereafter, we refer to internal flexibility as functional flexibility. Cordery, Sevastos, Mueller and Parker (1993); Riley and Lockwood (1997); Friedrich, Kabst, Weber and Rodehuth (1998), or Van den Berg and Van der Velde (2005) report that functional flexibility can be fostered through aspects such as job enlargement, job enrichment, job rotation, training programmes and work groups. Whichever aspects the company chooses, their aim will be to increase
employees’ skill repertoires so that they acquire the capacity to carry out a large number of tasks and to work across traditionally distinct occupational boundaries.

External flexibility is defined as the company’s ability to adjust the size of its workforce to deal with fluctuations in demand through the external movement of workers (Atkinson, 1984; Martínez et al., 2011). This type of flexibility involves changes in the job relation, moving away from the fulltime, permanent job, and using hiring to bring in new skills as needed, and layoff to eliminate redundant or obsolete skills. Short-term relationships between the organisation and its workers are thus favoured, and job security is practically non-existent.

**QM as an enabler of labour flexibility**

Some studies (Dean & Bowen, 1994; Douglas & Judge, 2001; Sila & Ebrahimpour, 2005; Zairi & Alsughayir, 2011) focus attention on identifying a series of dimensions that draw together a set of practices which allow QM to be introduced into the organisation. Although no consensus has been reached on exactly what these dimensions are, common denominators are found, and all the contributions reiterate the same aspects, which Douglas and Judge (2001) summarised in the following practices: focus on the customer, continuous improvement of processes, top management team involvement, adoption of a quality philosophy, emphasis on QM-oriented training, management by fact and use of QM methods. Moreover, QM is made up of essentially interdependent dimensions (Hackman & Wageman, 1995; Sun, 1999; Yong & Wilkinson, 2001; Rahman, 2004). The capacity of QM to generate long-lasting changes and create value lies in the combination of all its elements and, as a consequence, the above-mentioned practices are interrelated, and mutually support each other.

**QM and internal labour flexibility**

A company that is in the process of introducing QM should pay particular attention to the design of its human resource strategies to ensure that they promote quality-oriented attitudes and behaviours in employees in order to improve performance (Wilkinson, Redman, Snape, & Marchington, 1998; Soltani, Gennard, & Williams, 2004; Ooi, Arumugam, Safa, & Bakar, 2007; Akdere, 2009). To achieve this, QM emphasises training, and encourages a job design characterised by limited job specialisation, employee participation and interdepartmental work teams. Through the promotion of these practices QM enables the workforce’s repertoire of skills and abilities to expand, thereby improving its polyvalence and versatility.

Brown (1994) suggests that possibly the greatest benefit of training arising from the introduction of QM is that it covers a wide range of knowledge, going beyond the skills associated with a defined job. QM training programmes normally cover all dimensions of QM: management skills such as leadership and team building; team leader skills; tools and techniques such as statistical process control, problem solving technologies or quality measurement systems; and a customer-oriented culture change (Brown, 1994; Snape, Wilkinson, Marchington, & Redman, 1995; Yong & Wilkinson, 1999). Therefore, QM can improve employees’ competencies and advance the skills necessary to develop a diverse range of tasks, thereby improving functional flexibility. As Edwards and Sohal (2003) point out, a new training model designed to extend employees’ skills will enable traditional job demarcation lines to be broken down and lead to greater employee flexibility.

With regard to the design of jobs, QM encourages involvement and participation in diverse organisational processes (Wilkinson, Godfrey, & Marchington, 1997; Ooi et al.,
More specifically, workers can increase their skill variety (Victor, Boynton, & Stephens-Jahng, 2000; Taveira, James, Karsh, & Sainfort, 2003) through their participation in goal setting, and the development of quality-improvement tasks, such as measuring customer needs, or using methods of information analysis that inform employees about work process performance and enable them to put improvement plans into practice. Likewise, the sort of work teams set up to introduce QM can also foster labour flexibility. This kind of teams, created to supervise their own work or to solve problems, grant the organisation a high degree of functional flexibility since individuals take on wider responsibilities in aspects such as quality control. Moreover, these teams provide workers with opportunities to learn by exchanging their skills and experiences in team meetings (Bacon & Blyton, 2001; Edwards & Sohal, 2003).

As Cordery et al. (1993) and Friedrich et al. (1998) suggest, these job enrichment activities increase the skill repertoire of employees and consequently, their functional flexibility. Furthermore, these activities can foster employee functional flexibility through motivation, since enriched jobs may lead to a more satisfied workforce that is more willing to be flexible (Van den Berg & Van der Velde, 2005). The above arguments lead us to our first hypothesis:

\[ H_1: \text{QM has a positive relationship with internal flexibility.} \]

**QM and external labour flexibility**

The very nature of QM is at odds with high personnel turnover, due to the loss of skills and knowledge, continuous lack of experience and low performance of training that a high turnover rate entails (Edwards & Sohal, 2003). QM aspires to win employees’ long-term commitment by fostering job security (Schuler & Jackson, 1987; Psychogios, 2010). If employees do not feel secure in their jobs, they may not take risks to make improvements.

Moreover, firms with a QM-based strategy use a high percentage of high commitment practices (Wilkinson et al., 1998; Michie & Sheehan, 2001; Bou & Beltran, 2005; Ooi et al., 2007; Bayo, Merino, Escamilla, & Selvam, 2011). Appelbaum, Bailey, Berg and Kalleberg (2000) indicate that high commitment practices improve workers’ job conditions, including job security.

All these arguments lead us to consider that companies committed to QM will be less likely to use practices based on external flexibility. This notion is justified once the assumption has been made that the basic premises and principles of QM reject the type of practices associated with external flexibility, since they may be counterproductive if their use creates an obstacle to the company’s commitment to hire, develop and retain the most skilled employees (Appelbaum et al., 2000). According to Looise et al. (1998), a unilateral choice for external flexibility creates high risks in terms of employee performance, product quality, co-operation between fixed and temporary workers, lack of commitment and motivation. The above reasoning leads us to our second hypothesis:

\[ H_2: \text{QM has a negative relationship with external flexibility.} \]

**Methodology**

**Sample**

The data required to test these hypotheses were obtained from a sample of service companies taken from the information provided by the Spanish national ARDAN database.
ARDAN is an information service that provides access to a database of more than 100,000 firms in Spain. The research was completed in service sectors, which were chosen according to their SIC code (SIC 70 to SIC 89). The service sector provides an appropriate field to study labour flexibility due to the high levels of variability and heterogeneity that characterise services. In addition, certain studies such as that of Friedrich et al. (1998) have observed different trends in manufacturing and service sectors with regard to functional and external flexibility. By limiting our analysis to service sectors we are able to avoid confounding influences.

We selected medium-sized and large firms according to European Union criteria (Recommendation of the European Commission 2003/361/EC), that is, firms with 50 workers or more. Firms were selected according to the number of employees reported in the ARDAN database.

The fieldwork was carried out during January and February 2006 by means of a structured questionnaire that was administered to members of top management in each organisation. The items were measured according to the managers' evaluations using a seven-point Likert scale, where 1 represented a very low score and 7 a very high one. 237 complete questionnaires were used in our empirical research. The average number of employees per firm for the whole sample was 859.6 (S.D. = 3102.3). According to ARDAN the population comprised 1373 firms, which considering a confidence level of 95% and in the worst-case scenario (p = q = 50%), implies a sample error of ±5.8% for the overall sample.

Measures

Following Douglas and Judge (2001) we operationalise QM as a multidimensional construct made up of seven dimensions that capture the domain of QM (Table 1). To measure QM dimensions, items proposed by Douglas and Judge (2001) were chosen, since these items gather common elements of QM, and were designed for research in the service sector. Taking into account the interdependence between the dimensions we estimate a first order factor that depicts the relationship between all the QM dimensions. In order to reduce the number of parameters to be estimated and to lower the complexity of the model, we decided to use the formation of composite variables (Landis, Bela, & Tesluk, 2000). Thus, to measure each of the individual dimensions of QM, we considered a single indicator derived from averaging all the items initially used to measure each dimension.

To measure internal flexibility we adopted the approach of Volberda (1998) and Verdú (2002), which aims to evaluate the extent to which workers are able to move between jobs and tasks. Following this approach, we evaluated internal flexibility with an indicator used by Hoque (1999) to measure workforce skill in moving between tasks and jobs. For external flexibility, following Cappelli and Neumark (2004), we analyse external flexibility as the result of the external churning of employees. We measured external churning through behaviours that generate insecurity in the attachment of workers to the firm. Other papers such as Bacon and Blyton (2001) analyse external flexibility as a form of job insecurity. We used three items that represent whether or not the firm used permanent contracts and employee layoff (Table 1).

Figure 1 presents the model proposed and reflects the way each latent variable was measured.

Statistical procedure

The estimation of the proposed causal relationships was carried out using SEM. Several features of SEM make it a suitable methodology in our study, since it allows for the
Table 1. Indicators used to measure each factor.

QM

Customer orientation (V1), $\alpha = 0.734$, c.r. = 0.759
Employees know who their customers are
Employees attempt to measure their internal customers’ needs (customers inside this organisation)
Employees attempt to measure their external customers’ needs (customers outside this organisation)
The organisation uses customer requirements as the basis for quality
Our organisation is more customer-focused than our competitors (*)

Continuous improvement (V2), $\alpha = 0.820$, c.r. = 0.822
Employees in the organisation try to improve the quality of their service
Employees in the organisation believe that quality improvement is their responsibility
Employees in the organisation analyse their work products to look for ways of doing a better job

Emphasis on QM-oriented training (V3), $\alpha = 0.890$, c.r. = 0.892
Quality-related training is given to hourly employees throughout the organisation
Quality-related training is given to managers and supervisors throughout the organisation
Training is given in the ‘quality concept’ (i.e. philosophy of company-wide responsibility for quality) throughout the organisation
Training is given in the basic statistical techniques (such as histograms and control charts) in the organisation as a whole (*)
The organisation’s top management is committed to employee training for quality
Resources are provided for employee training in quality

Top management team involvement (V4), $\alpha = 0.892$, c.r. = 0.894
The top executive assumes responsibility for quality performance
The major department heads participate in the quality improvement process
The organisation’s top management has objectives for quality performance
The goal-setting process for quality within the organisation is comprehensive
Importance is attached to quality by the organisation’s top management in relation to cost objectives (*)
Quality issues are reviewed in the organisation’s top management meetings

Quality philosophy (V5), $\alpha = 0.797$, c.r. = 0.808
There is a strong commitment to quality at all levels of this organisation
People in this organisation are aware of its overall mission
Members of this organisation show concern for the need for quality
Continuous quality improvement is an important goal of this organisation
Managers here try to plan ahead for changes that might affect our performance

Management by fact (V6), $\alpha = 0.929$, c.r. = 0.932
Quality data (defects, complaints, outcomes, time, satisfaction, etc.) are available
Quality data are timely
Quality data are used as tools to manage quality
Quality data are available to managers and supervisors
Quality data are available to hourly workers (*)
Quality data are used to evaluate supervisor and managerial performance (*)

Total quality methods (V7), $\alpha = 0.813$, c.r. = 0.818
Employees use the basic statistical techniques (such as histograms and control charts) to study their work processes
Employees analyse the time it takes to get the job done
Employees keep records and charts measuring the quality of work carried out in their work area
Statistical techniques are used to reduce variation in processes in the organisation
QM procedures (such as brainstorming, cause-and-effect diagrams, Pareto charts) are used to analyse information for process improvement

(Continued)
specification of latent (unobservable) variables measured through a set of observable indicators, it takes into account the existence of measurement error, and offers the possibility of simultaneously estimating all the relationships proposed in the theoretical model. All the analysis was carried out with the statistical software EQS 6.1 (Bentler, 2006), using the maximum likelihood estimation method. All the reported chi-square values (as well as standard errors) correspond to Satorra and Bentler’s (1994) scaled goodness-of-fit test statistics. This procedure protects our results from possible deviations of normality assumption. For the chi-square scaled difference test statistics, we used the Satorra and Bentler (2001) procedure to compute the appropriate value.

In the estimation of the models, we follow the two-step procedure usually recommended in SEM (Anderson & Gerbing, 1988). Hence, the measurement models (i.e. the relationship among observed variables and latent factors) of QM, internal and external flexibility were fitted in the first step and the structural model (i.e. the relationship among the latent factors as hypothesised by theory) in a second step.

Results

Scale validation

Regarding the measurement models, in accordance with Mueller (1996, p. 125) we used the confirmatory factor analysis (CFA) technique to evaluate the dimensionality of the

<table>
<thead>
<tr>
<th>LABOUR FLEXIBILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal flexibility</strong></td>
</tr>
<tr>
<td>V8. Employees’ skills in moving between tasks and jobs when the need arises</td>
</tr>
<tr>
<td>$\alpha = 0.673$, c.r. = 0.680</td>
</tr>
<tr>
<td>V9. Employees can stay in the company for as long as they like (R)</td>
</tr>
<tr>
<td>V10. Employees’ job security is guaranteed as it is promoted through permanent contracts (R)</td>
</tr>
<tr>
<td>V11. When economic problems arise, layoffs would be one of the last measures to be adopted by this company (R)</td>
</tr>
</tbody>
</table>

Notes: R, inverse indicator; *, the eliminated indicators are marked with an asterisk.

![Diagram](https://example.com/diagram.png)

Figure 1. The hypothesised model of the relationships between QM and labour flexibility.
measurement scales. To assess the reliability and construct (convergent and discriminant) validity we followed the procedure usually recommended in the literature (Fornell & Larcker, 1981; Ahire & Ravichandran, 2001).

**Dimensionality**

Based on recommendations by Jöreskog and Sörbom (1996), we have followed two steps. Firstly, an individual CFA was performed for each QM dimension to ensure that all QM practices possessed adequate unidimensionality. An adequate fit was obtained in all the dimensions, as attested by the goodness-of-fit values (Table 2). Secondly, we conducted a single CFA taking the seven QM practices simultaneously, considered as correlated first-order factors. Each observed variable was allowed to load only on the target factor. The Lagrange multiplier tests (LMTEST) were used to introduce successive modifications to the scales until the fit indices reached values within the recommended limits. Only one parameter was altered in each iteration to avoid over-modifying the model (Jöreskog & Sörbom, 1996). As a result, some items were dropped from the analysis because they showed a reliability of below 0.4, and/or presented significant cross-loadings (Bollen, 1989). Items excluded are marked with an asterisk in Table 1. The same procedure was applied to test the dimensionality of the external and internal flexibility. A CFA model with two correlated first-order factors was estimated to analyse the properties of the flexibility scales. The fit of the model confirms the existence of two correlated factors (Table 2).

**Reliability**

Table 1 shows Cronbach’s alpha (Cronbach, 1951) and composite reliability (c.r.) (Fornell & Larcker, 1981) for the final scales, the value of which allowed us to verify the reliability of the measurement. These indices are above the 0.7, except for external flexibility, which showed reliability coefficients slightly below from the threshold. However, as leaving them out would affect the content validity of the model, we decided to retain them.

<table>
<thead>
<tr>
<th>Table 2. Dimensionality of the scales.</th>
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<tbody>
<tr>
<td>Satorra–Bentler chi square</td>
</tr>
<tr>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Customer orientation</td>
</tr>
<tr>
<td>Continuous improvement</td>
</tr>
<tr>
<td>QM-oriented training</td>
</tr>
<tr>
<td>Top management involvement</td>
</tr>
<tr>
<td>Quality philosophy</td>
</tr>
<tr>
<td>Management by fact</td>
</tr>
<tr>
<td>Total quality methods</td>
</tr>
<tr>
<td>QM</td>
</tr>
<tr>
<td>FLEX</td>
</tr>
</tbody>
</table>

Notes: Where recommended values are: BB-NNFI ≥ 0.90; CFI, comparative fit index ≥ 0.90; RMSEA, root mean square error of approximation ≤ 0.08.

*a*To avoid negative degrees of freedom, a pooled measurement model was executed, with indicators loading on the corresponding QM practice (Ahire & Ravichandran, 2001) for those QM practices with fewer than four indicators (customer orientation and continuous improvement).

*b*Pooled measurement model with indicators of the two factors of labour flexibility.
Validity

Convergent validity was assessed using the Bentler–Bonett normed fit index (BBNFI) (Bentler & Bonett, 1980). Considering the cut-off value of 0.90, a high level of convergent validity was found for all the factors, as Table 3 shows.

Three approaches were used to assess discriminant validity (Ghiselli, Campbell, & Zedeck, 1981; Bagozzi & Phillips, 1982). First, for all scales Cronbach’s alpha was higher than the average interscale correlation (AVISC) (Table 3). Second, the average correlation between the scale and non-scale items (last column in Table 3) was lower than the average correlation between the scale and the scale items (penultimate column in Table 3). Finally, for each pair of factors, we conducted a ‘pair-wise test’ (Bagozzi & Phillips, 1982) to test whether a CFA with two factors fits the data significantly better than a single-factor model. The scaled chi-square difference values (Satorra & Bentler, 2001) for all pairs were found to be statistically significant at a 5% level (and hence they are not presented), providing evidence of the existence of discriminant validity.

Descriptive statistics of the validated measurement scales

Correlations and descriptive statistics of the factors identified in the scale validation process are shown in Table 4. As we can observe in this table the internal and external flexibility factors are shown to have a very low negative correlation, which is not statistically significant. This result indicates that internal flexibility is not linked to the external churning of employees. All the other correlations were positive and significantly different

Table 3. Convergent and discriminant validity.

<table>
<thead>
<tr>
<th></th>
<th>Convergent validity</th>
<th>Discriminant validity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BBNFI</td>
<td>AVISC</td>
</tr>
<tr>
<td>Customer orientation</td>
<td>0.986(^a)</td>
<td>0.224</td>
</tr>
<tr>
<td>Continuous improvement</td>
<td>0.986(^a)</td>
<td>0.380</td>
</tr>
<tr>
<td>QM-oriented training</td>
<td>0.954</td>
<td>0.430</td>
</tr>
<tr>
<td>Top management involvement</td>
<td>0.963</td>
<td>0.361</td>
</tr>
<tr>
<td>Quality philosophy</td>
<td>1.000</td>
<td>0.309</td>
</tr>
<tr>
<td>Management by fact</td>
<td>0.943</td>
<td>0.351</td>
</tr>
<tr>
<td>Total quality methods</td>
<td>1.000</td>
<td>0.419</td>
</tr>
<tr>
<td>Internal flexibility</td>
<td>1.000(^b)</td>
<td>0.342</td>
</tr>
<tr>
<td>External flexibility</td>
<td>1.000(^b)</td>
<td>–0.173</td>
</tr>
</tbody>
</table>

\(^a\)To avoid negative degrees of freedom, a pooled measurement model was executed, with indicators loading on the corresponding QM practice (Ahire & Ravichandran, 2001) for those QM practices with fewer than four indicators (customer orientation and continuous improvement).

\(^b\)Pooled measurement model with indicators of the two factors of labour flexibility.
from zero, a result that is not surprising in the case of the QM practices since they form part of the integrated approach of QM.

**Structural model: the relationship between QM and labour flexibility**

The relationships to be estimated for the structural model are those resulting from the stated hypotheses presented in Figure 1. The goodness-of-fit indices of this proposed model ($\chi^2 = 96.2343 \ [p = 0.0000]$; BB-NNFI = 0.881; RMSEA = 0.073) suggest a lack of fit of the model. Following Bollen (1989), by inspecting modification indices scholars can determine whether the data suggests alternative theoretical models. Taking into account the information reported by the LMTEST, and based on theoretical arguments, we re-specify the initial model by classifying the QM practices into two dimensions: social, soft or instrumental QM; and technical, hard or core QM (Yong & Wilkinson, 2001; Rahman, 2004; Lewis, Pun, & Lalla, 2006; Bou, Escrig, Roca, & Beltrán, 2009; Fotopoulos & Psomas, 2009; Gadenne & Sharma, 2009; Zu, 2009; Psychogios, 2010; Zairi & Alsughayir, 2011). In this final model QM was conceived as a latent construct that accounts for the correlation between the hard and soft dimensions (Figure 2), a correlation that captures a widespread idea in QM literature: that soft or hard QM issues cannot be managed in isolation because both dimensions are needed for successful QM implementation (Hackman & Wageman, 1995; Sun, 1999; Zu, 2009).

Table 5 shows the reliability and validity tests of the QM measurement model considering the hard and soft dimensions. To analyse the properties of the model, we followed the same procedures explained in the ‘scale validation’ section. The measurement model shows an acceptable fit, as shown by the Satorra–Bentler chi-square statistic ($\chi^2 = 30.9201 \ [d.f. = 13 \ [p = 0.004]]$; BB-NNFI = 0.922; RMSEA = 0.076).

The goodness-of-fit indices for the modified structural model posed in Figure 2 show the adequacy of the model to the data ($\chi^2 = 69.8841 \ [p = 0.003]$; BB-NNFI = 0.932; RMSEA = 0.055). Note that although in this modified structural model QM is now measured using hard and soft dimensions, the hypothesised relationship remains the same. As Table 6 shows, all loadings of the QM construct on the QM dimensions are statistically significant, thus indicating that all dimensions represent the QM construct to a large degree.

The second part of Table 6 shows the relationship between QM and labour flexibility. The statistical significance of the values of the regression parameters reveals a positive relationship of QM with internal flexibility, while introducing QM is seen to have a negative relationship with external flexibility. These results support the hypotheses put forward. The values of the coefficients of determination indicate that the introduction of QM appears to explain around 16% of the variance of internal flexibility. QM considered as a whole has a meaningful impact on functional flexibility. Finally, we estimated an additional model with direct effects of the hard and soft dimensions on internal and external flexibility. This model allows us to test the existence of a unique influence of the hard and soft dimensions on flexibility, taking into account the influence of QM. The results show that the hard and soft dimensions have no significant influence on flexibility after controlling for the effect of QM, a result that supports the holistic approach to QM.

**Discussion and conclusions**

This study has examined the way the introduction of a QM influences internal and external flexibility. In recent years, firms have made great efforts to introduce QM in an attempt to
Table 4. Descriptive statistics and correlation matrix ($N = 237$).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>S.D.</th>
<th>V1</th>
<th>V2</th>
<th>V3</th>
<th>V4</th>
<th>V5</th>
<th>V6</th>
<th>V7</th>
<th>V8</th>
<th>V9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer orientation (V1)</td>
<td>5.564</td>
<td>0.980</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Continuous improvement (V2)</td>
<td>5.093</td>
<td>1.095</td>
<td>0.531</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>QM-oriented training (V3)</td>
<td>5.553</td>
<td>1.264</td>
<td>0.351</td>
<td>0.544</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Top management team involvement (V4)</td>
<td>6.032</td>
<td>0.969</td>
<td>0.319</td>
<td>0.488</td>
<td>0.688</td>
<td>1.000</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Quality philosophy (V5)</td>
<td>5.871</td>
<td>0.826</td>
<td>0.425</td>
<td>0.594</td>
<td>0.614</td>
<td>0.700</td>
<td>1.000</td>
<td></td>
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<tr>
<td>Management by fact (V6)</td>
<td>6.170</td>
<td>0.916</td>
<td>0.249</td>
<td>0.315</td>
<td>0.562</td>
<td>0.652</td>
<td>0.577</td>
<td>1.000</td>
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<tr>
<td>Total quality methods (V7)</td>
<td>4.325</td>
<td>1.287</td>
<td>0.456</td>
<td>0.504</td>
<td>0.514</td>
<td>0.457</td>
<td>0.454</td>
<td>0.348</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal flexibility (V8)</td>
<td>5.601</td>
<td>1.100</td>
<td>0.224</td>
<td>0.313</td>
<td>0.236</td>
<td>0.270</td>
<td>0.366</td>
<td>0.166</td>
<td>0.270</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>External flexibility (V9)</td>
<td>2.342</td>
<td>1.047</td>
<td>−0.079</td>
<td>−0.249</td>
<td>−0.238</td>
<td>−0.226</td>
<td>−0.292</td>
<td>−0.138</td>
<td>−0.116</td>
<td>−0.049</td>
<td>1.000</td>
</tr>
</tbody>
</table>

*p < 0.05.

**p < 0.01.
improve their profits. The conclusions of this study suggest that, at the same time, these efforts represent a valid response to improving internal labour flexibility in the company. However, QM does not emerge as a relevant mechanism to improve external flexibility.

**Influence of QM on internal flexibility**

Our results suggest that possible antecedents of functional flexibility might emerge from the training activities and the kind of job design promoted by QM, which favours employees’ development of a wide range of skills and the opportunity to be flexible by breaking down demarcations. The present study may put forward certain ideas related to a controversial issue in the literature, namely the consideration of QM as a competency that fosters a structured environment in the organisation due to the fact that it uses work methods and standards that as a consequence, encourage stability and control as opposed to flexibility (Soltani et al., 2008). Our results support the alternative view that the introduction of QM does not limit company flexibility. These results are coherent with the conclusions by Ng and Dastmalchian (1998) who find evidence that functional flexibility has a positive association with the formalisation and the existence of rules in the organisation. In other words, a structured organisational environment and the use of formalised methods and procedures are compatible with practices of training and job enrichment and enable the organisation to take an active approach to how employees do their job and to ensure that they do actually make full use of their newly acquired skills.

**Influence of QM on external flexibility**

Relative to external flexibility, QM negatively influences the firm’s capacity to vary the number of workers it hires in order to make rapid and efficient adjustments to the volume of work and changes in demand. These results support the theory put forward by Appelbaum et al. (2000), because the presence of high performance work practices, such as those promoted by QM, and the rise of insecurity would create a tension in the organisation since employee commitment is not compensated by management commitment to job security. Nevertheless, our conclusions disagree with results by Hanratty (2000) or Bacon and Blyton (2001) who conclude that practices characteristic of QM
Table 5. Reliability, convergent and discriminant validity of QM measurement model considering the hard and soft dimensions.

<table>
<thead>
<tr>
<th></th>
<th>Reliability</th>
<th>Convergent validity</th>
<th>Discriminant validity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cronbach’s alpha</td>
<td>c.r.</td>
<td>BBNFI</td>
</tr>
<tr>
<td>Hard</td>
<td>0.746</td>
<td>0.745</td>
<td>0.922&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Soft</td>
<td>0.873</td>
<td>0.874</td>
<td>0.922&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>a</sup>To avoid negative degrees of freedom, a pooled measurement model was performed, with indicators loading on the corresponding QM dimension (Ahire & Ravichandran, 2001) since one of the dimensions has fewer than four indicators.
such as the use of self-autonomous work teams for job supervision or problem solving are positively related to practices linked to external flexibility.

**Further advances from previous contributions**

Our conclusions coincide with other research that examines the link between QM and flexibility, such as those by Gómez and Verdú (2005). However, the present study contributes certain additional aspects of interest by focusing on one particular type of flexibility, namely labour flexibility, and by taking into consideration the two types of labour flexibility.

A further interesting contribution concerns the way we deal with the concept of QM, which is examined from a holistic perspective and, as a consequence, the introduction of QM is evaluated according to the introduction of a whole set of different practices. Thus, in line with other studies such as those of Yong and Wilkinson (2001); Rahman (2004); Bou et al. (2009); Zu (2009) or Zairi and Alsughayir (2011) we conclude that organisations take a holistic approach to introduce QM by considering hard and soft dimensions of QM. As our modified structural model shows, QM is a broad framework in which different practices coexist in order to influence labour flexibility. The results obtained show that the influence of QM on flexibility requires a holistic orientation towards QM in which both social and technical dimensions are jointly considered. Social and technical practices in isolation do not exert any significant influence on flexibility, beyond the influence of QM.

Finally, our results show that the introduction of QM stimulates the organisation to choose internal over external labour flexibility. The results support the idea that in a QM context the two seem to be incompatible and that the decisions a company takes to develop a multi-skilled and versatile workforce are not linked with the actions necessary to achieve external flexibility. Companies should opt for a consistent system of QM practices, and the same system of practices cannot be used to achieve internal and external flexibility at the same time. This research therefore supports the need to decide on one coherent system of practices, in line with configuration theory in human resource management (Schuler & Jackson, 1987). Firms reach their decisions on flexibility adopting practices that are coherent with each other.

<table>
<thead>
<tr>
<th>Effect</th>
<th>Parameter estimates</th>
<th>s.e.</th>
<th>z test</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item-factor loadings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hard QM $\rightarrow$ customer orientation</td>
<td>0.628</td>
<td>–</td>
<td>–</td>
<td>0.394</td>
</tr>
<tr>
<td>Hard QM $\rightarrow$ continuous improvement</td>
<td>0.797</td>
<td>0.181</td>
<td>7.728</td>
<td>0.636</td>
</tr>
<tr>
<td>Hard QM $\rightarrow$ total quality methods</td>
<td>0.672</td>
<td>0.185</td>
<td>7.586</td>
<td>0.451</td>
</tr>
<tr>
<td>Soft QM $\rightarrow$ QM-oriented training</td>
<td>0.792</td>
<td>0.127</td>
<td>11.667</td>
<td>0.627</td>
</tr>
<tr>
<td>Soft QM $\rightarrow$ top management team involvement</td>
<td>0.864</td>
<td>0.124</td>
<td>9.997</td>
<td>0.746</td>
</tr>
<tr>
<td>Soft QM $\rightarrow$ quality philosophy</td>
<td>0.821</td>
<td>–</td>
<td>–</td>
<td>0.674</td>
</tr>
<tr>
<td>Soft QM $\rightarrow$ management by fact</td>
<td>0.702</td>
<td>0.163</td>
<td>5.844</td>
<td>0.492</td>
</tr>
<tr>
<td>QM $\rightarrow$ hard QM</td>
<td>0.872</td>
<td>0.066</td>
<td>8.194</td>
<td>0.761</td>
</tr>
<tr>
<td>QM $\rightarrow$ soft QM</td>
<td>0.882</td>
<td>0.063</td>
<td>9.441</td>
<td>0.777</td>
</tr>
<tr>
<td>Structural effects</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>QM $\rightarrow$ internal flexibility</td>
<td>0.400</td>
<td>0.095</td>
<td>4.662</td>
<td>0.160</td>
</tr>
<tr>
<td>QM $\rightarrow$ external flexibility</td>
<td>–0.351</td>
<td>0.071</td>
<td>–3.995</td>
<td>0.123</td>
</tr>
</tbody>
</table>
Implications for management, limitations and future research

The results of this study have practical implications for managers. A series of practices linked to QM are outlined, which managers can use to improve levels of functional flexibility. These practices are related to the investment in the development of workforce skills and abilities through training, or job enrichment through worker participation in QM, by taking part in data collection, evaluating their work according to these data, and participating in continuous improvement activities. In addition, results suggest that QM is not an effective supporter for managers wishing to improve external flexibility.

The design of the research entailed analysing the types of flexibility through managerial perceptions. This particular assessment method should be borne in mind when considering the results. Here we analyse managerial perceptions of QM and the consequences it has on flexibility. The point of view will therefore vary from an employee perspective and this could have a bearing on some differences in the research results. For example Chow (1998) finds differences between employers and employee perceptions of human resources practices, since HR managers claimed that empowerment was being exercised (using own judgement, making own rules), while employees did not see it the same way. The use of employee representatives as respondents in previous studies could be a factor in explaining the differences in the results. From the cognitive bases of strategy, according to Jackson and Schuler (1995, p. 253), human resource managers, acting individually or as a group, interpret their environments, and this process impacts on the actions they put into practice. In this vein, this research considers managers’ underlying values when they take decisions on human resource systems and practices, and thus provides a better understanding of the decisions human resource managers take. Future research could include other information sources in order to incorporate employees’ points of view into the study. Similarly, we did not analyse the implication on the organisational results that considering QM as an antecedent of labour flexibility might have. Furthermore, our study is limited to service companies in Spain. As pointed out by the results of other studies such as that of Bacon and Blyton (2001), there is a danger of generalising single-country findings across national boundaries. The results should therefore be interpreted in the context in which they were obtained.

Acknowledgement

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Note

1. Other classifications of flexibility have been proposed (Valverde et al., 2000) identifying other types of flexibility, such as financial flexibility or wage flexibility. However, a common feature of these classifications is their emphasis on internal and external flexibility.

References


