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CORRELATION OF ORGANIZATION’S QUALITY MANAGEMENT SYSTEM AND INNOVATION PERFORMANCE

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The introduction of innovations has been the main vector of development of our economy for several years. At present, Kazakhstan has identified important indicators of innovation activity that characterize the results of organizations’ commitment to innovations, their investment in innovation, production and export of innovative products. Various innovation oriented researches show that product quality management is an important part of the overall innovation process.

Firstly, to have novelty - the presence of a QMS in an enterprise involves the introduction of new methods of organizing and managing the business processes of an enterprise. Secondly, it satisfies market demand - the QMS involves the implementation in the activities of the enterprise of the basic principles of quality management, the main of which is consumer orientation. Thirdly, it brings profit to the manufacturer - the QMS involves the organization of production in such a way that the principle of "zero defects" is implemented in the activities of the enterprise, and the QMS forms the image of the manufacturer in the market, which provides him with a stable position by retaining or further expanding market share.

Consequently, quality can be regarded as a tool, that creates and stimulates an environment that encourages innovation. Some studies have adopted an optimistic perspective claiming that quality management is strongly linked to the firms’ contributions to sustainable development and emphasize the positive impact of innovation on the financial and operational aspects of business performance [1; 2]. On the other hand, it can also be argued that quality improvement processes might restrict creativity and innovation, since they usually involve mechanistic routinization and standardized business processes [3]. Hence, the more pessimistic view argues that quality management tools and methodologies, especially those standards such as ISO 9001, which are based on formalization and systematization, actually hinder innovation since they tend to increase bureaucracy [4].

It was also noted that Quality management systems such as ISO 9001 embrace both “hard” and “soft” elements, which have different correlation with firm’s innovation potential [5]. Namely, if the “hard” elements (those closely linked to the mechanistic model) prevail, quality management can create an obstacle for innovative performance, whereas, if the “soft” models are highly

used, quality management concepts and practices will create a fertile environment for businesses to innovate, and it will become a powerful driver of innovation[6].

Several critical contradicting correlations from implementing quality management system have been identified during the study, that hinder organizations innovative performance. Namely, the entire process is almost under control in ISO 9001 quality management system standards to eliminate accidents and fix deviations, finally reaching the planned target. To some extent, standardization and normalization can stifle company creativity. More resources and capabilities are directed toward the continual improvement recommended by quality management rather than striving for a breakthrough in technology or management, with cost efficiency and risk avoidance in mind.

Hence, Quality management leads to a cost-effective strategy rather than differentiation, which stymies innovation. Innovation may necessitate a large number of investments with high risks and an unclear outcome, which is not in the best interests of a cost-effective plan [3]. As a result, such companies are more likely to follow rather than lead in innovation in order to avoid risk and cut costs, reducing the capacity and opportunity for innovation investment [7]. Moreover, many researches argue that quality management's principle of continual improvement will prevent companies from implementing radical innovations [8;9]. Continuous improvement is analytical; innovation, on the other hand, is experimental, allowing for errors as a result of uncertainty. As a result, quality management practices may lead to a situation in which personnel are limited within an existing pre-designed production regime and place a priority on quality process details rather than new ideas that alter fundamental ways of functioning [10]. For example, the customer focus philosophy of quality management has received a lot of attention because it has a detrimental influence on innovation as it focuses on addressing the demands of existing customers while disregarding the search for new and innovative solutions.

The study concentrates on mitigating the negative aspects of the correlation and aims to minimize the conflicting issues between quality management and organization innovative performance. Namely, it is proposed to improve general ISO 9001 quality management standards and upgrade them with elements of ISO 56 000 Innovation management standards, that were developed specifically for organization operating in uncertain and innovative environments.

ISO 56000 - International Innovation Management Standard (IMS) is a set of standard operating procedures designed to provide a common framework for all organizations, regardless of type, sector or size, to successfully implement, maintain and continually improve an innovation management system. This set of standards has actively being implemented in European countries recently, since the ISO 56000 series of standards set out general guidelines for all types of innovation such as products, services, processes, business models and methods, from incremental to radical, as well as all types of approaches such as internal and open innovation to users, innovation market, technology and design oriented.

ISO 9001 and ISO 56000 are related and similar in that both aim to realize stakeholder value – that is, an organization may need to innovate to improve quality while at the same time ensuring the quality of its innovation processes. Accordingly, the research work includes mechanisms from this standard, which will complement the existing QMS of enterprises to mitigate the conflicting correlation between QMS and organization's innovative potential, namely:

- organizational culture and leadership based on IMS
- innovation planning processes
- risk management
- support environment (resources, competencies, intellectual property information management)
- configuration of related innovation processes

The results of the research and above conclusions have a number of implications. First, the findings show that corporate quality management focuses on improving existing production and management processes rather than pursuing innovation targeted at long-term business strategy. Tools and techniques for corporate quality management must be aligned with innovation performance considerations. Furthermore, in order to achieve "integration," quality management principles must be incorporated into innovation development strategies. Firms should conduct more research into how to integrate innovation and sustainability strategies into their fundamental business processes.

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