

EVALUATION OF ORGANIZATIONAL PERFORMANCE USED TOTAL QUALITY MANAGEMENT (TQM) METHOD STUDY : MSMES FISHERIES FOOD PROCESSING PRODUCT IN PASURUAN DISTRICT

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Abstract

MSMEs in the fisheries sector have the potential to contribute to the economic growth of the district. However, MSMEs in the fisheries food processing product industry face several challenges that limit their growth potential. The implementation of Total Quality Management (TQM) has become a popular approach in evaluating the performance of Micro, Small, and Medium Enterprises (MSMEs) in various industries. This research aims to focus on the evaluation of organizational performance using the Total Quality Management (TQM) method. TQM is a management approach that seeks to optimize organizational performance by continuously improving the quality of products, services, and processes. TQM approach to investigate the relationship between independent variables (commitment of managers, employee management, employee empowerment, information quality, and customer focus) and dependent variables (organizational success) in the UMKM food processing industry in Pasuruan District, East Java, Indonesia. In conclusion, the study found that management dedication and workforce management have a positive effect on organizational performance, while employee empowerment and information quality do not have a significant impact. Additionally, the study found that customer emphasis can improve overall organizational effectiveness. These findings provide valuable insights for organizations looking to improve their performance and highlight the importance of focusing on specific management practices that can have a positive impact on the organization.

Keywords : MSMEs, fisheries food processing industry, total quality management, organizational performance

Abstrak

Penelitian ini bertujuan untuk mengevaluasi kinerja organisasi menggunakan metode Total Quality Management (TQM) pada industri pengolahan makanan UMKM di Kabupaten Pasuruan, Jawa Timur, Indonesia. Meskipun UMKM di sektor perikanan memiliki potensi untuk berkontribusi pada pertumbuhan ekonomi daerah, UMKM di industri pengolahan makanan perikanan menghadapi beberapa tantangan yang membatasi potensi pertumbuhan mereka. TQM adalah pendekatan manajemen yang bertujuan untuk mengoptimalkan kinerja organisasi dengan terus meningkatkan kualitas produk, layanan, dan proses. Penelitian ini menggunakan pendekatan TQM untuk mengevaluasi hubungan antara variabel independen (komitmen manajer, manajemen karyawan, pemberdayaan karyawan, kualitas informasi, dan fokus pelanggan) dan variabel dependen (kesuksesan organisasi) di industri pengolahan makanan UMKM di Kabupaten Pasuruan. Hasil penelitian menunjukkan bahwa dedikasi manajemen dan manajemen tenaga kerja memiliki pengaruh positif terhadap kinerja organisasi, sementara pemberdayaan karyawan dan kualitas informasi tidak memiliki dampak yang signifikan. Selain itu, penelitian ini menemukan bahwa penekanan pada pelanggan dapat meningkatkan efektivitas organisasi secara keseluruhan. Temuan ini memberikan wawasan yang berharga bagi organisasi yang ingin meningkatkan kinerjanya dan menyoroti pentingnya memfokuskan pada praktik manajemen yang dapat berdampak positif pada organisasi.

Kata kunci: UMKM, industri pengolahan ikan, total quality management, kinerja organisasi

INTRODUCTION

Pasuruan District is a regency in East Java, Indonesia, with abundant fishery resources, such as fish, shrimp, and crab. MSMEs in the fisheries sector have the potential to contribute to the economic growth of the district. However, Kurniawati (2017) states that MSMEs in the fisheries food processing product industry face several challenges that limit their growth potential. This study aims to explore the current situation of MSMEs in the fisheries food processing product industry in Pasuruan District and identify the challenges they face.

Sudarmaji (2020) states that the implementation of Total Quality Management (TQM) has become a popular approach in evaluating the performance of Micro, Small, and Medium Enterprises (MSMEs) in various industries. One such industry is the fisheries food processing industry, which plays a crucial role in the Pasuruan district's economy. However, despite the industry's significance, many MSMEs in the sector struggle to maintain the quality of their products, which has a negative impact on their competitiveness and profitability (Sudarmaji et al., 2020).

The study focuses on assessing the effectiveness of TQM in enhancing the quality management practices of MSMEs operating in the fisheries food processing industry. The evaluation is carried out through a case study approach, which involves analyzing the performance of selected MSMEs in the industry.

Several studies have explored the implementation of TQM in SMEs in Indonesia and its impact on business performance. For instance, Fahlevi and Suwarno (2020) investigated the implementation of TQM in SMEs and found that it significantly improved their business performance. Fitriani and Herawati (2019) also reported that TQM implementation had a positive impact on SMEs' performance. Moreover, Fuentes-Fuentes, Albort-Morant, and Lloréns-Montes (2020) provided a comprehensive review of TQM, organizational learning, and innovation, highlighting the importance of TQM in improving organizational performance.

Kurniawati (2017) Total Quality Management (TQM) has been recognized as a powerful approach to improve business performance in various contexts. This is especially relevant for small and medium enterprises (SMEs) in Indonesia, which contribute significantly to the country's economy but often face challenges in terms of management and competitiveness. According to the Indonesian Central Statistics Agency (BPS), SMEs make up more than 99% of businesses in the country and contribute to more than 60% of the gross domestic product (GDP) (BPS, 2021).

These studies provide valuable insights into the implementation of TQM in SMEs in Indonesia. However, further research is needed to explore the factors that contribute to the successful adoption and integration of TQM in these organizations. Hoang and Nguyen (2018) conducted an empirical study in Vietnam and found that TQM had a positive impact on

business performance, but the success of TQM implementation was influenced by several factors, including leadership commitment, employee involvement, and organizational culture. Thus, more research is needed to examine the contextual factors that influence the implementation and effectiveness of TQM in SMEs in Indonesia.

In this paper, the focus is on the evaluation of organizational performance using the Total Quality Management (TQM) method. TQM is a management approach that seeks to optimize organizational performance by continuously improving the quality of products, services, and processes.

Several studies have investigated the relationship between TQM and organizational performance, and the results have been mixed. For instance, a study by Karapetrovic and Willborn (1998) found a positive association between TQM and organizational performance in the manufacturing sector. In contrast, a study by Bayraktar et al. (2007) found no significant association between TQM and organizational performance in the service sector. These contradictory findings highlight the need for further research to determine the effectiveness of TQM in different organizational settings.

To evaluate organizational performance using TQM, several key success factors must be considered. These include leadership commitment, employee involvement, customer focus, continuous improvement, and data-driven decision-making (Dean and Bowen, 1994). Additionally, organizations must address the challenges associated with TQM implementation, such as resistance to change,

lack of resources, and difficulty in measuring the effectiveness of TQM (Deming, 1986). In conclusion, this paper seeks to contribute to the growing body of literature on the effectiveness of TQM in evaluating organizational performance. By examining the key success factors and challenges associated with TQM implementation, this paper provides insights into how organizations can optimize their performance using this approach. In the end of the research, researcher will examine how the successful implementation of TQM practices positively affects employee performance. The findings of this study will help organizations understand the importance of TQM practices and how they can be effectively implemented to improve employee performance.

LITERATURE REVIEW

Micro, Small, and Medium Enterprises (MSMEs) are essential to Indonesia's economy as they contribute to the country's employment, innovation, and economic growths (Sudarmaji et al., 2020). However, MSMEs in Indonesia face several challenges that limit their growth potential, for example, the external environment consisting of competitors, buyers, suppliers and government regulations.

MSME Definition MSMEs in Indonesia are classified based on their asset value, as set by the Indonesian Ministry of Cooperatives and SMEs. Micro enterprises are those with assets up to IDR 50 million, small enterprises up to IDR 500 million, and medium enterprises up to IDR 10 billion (Siswanto, 2020). MSMEs in Indonesia contribute significantly to the country's economy, accounting for 60.3% of

GDP, 97% of the workforce, and 99% of businesses in 2020 (Bank Indonesia, 2021).

The growth of MSMEs in Indonesia has been significant in recent years. According to the Indonesian Ministry of Cooperatives and SMEs, the number of MSMEs in Indonesia grew by 2.2% in 2020, reaching a total of 64.2 million (Siswanto, 2020). However, despite the significant growth, MSMEs in Indonesia still face several challenges that limit their potential. MSMEs in Indonesia face several challenges that limit their growth potential. One of the significant challenges is limited access to finance. According to a study by Wijaya and Soeastro (2021), only 35.7% of MSMEs in Indonesia have access to formal financing. This limited access to finance is due to several factors, such as the lack of collateral and inadequate financial records. Another challenge faced by MSMEs in Indonesia is the lack of technology adoption. According to a study by Yunanto, Setyaningsih, and Khairani (2021), MSMEs in Indonesia are slow in adopting technology, which limits their competitiveness and growth potential. The Indonesian government has implemented several initiatives to support MSME growth.

MSMEs in Indonesia are essential to the country's economy, contributing significantly to employment, innovation, and economic growth. In today's highly competitive business environment, organizations strive to improve their operations and achieve excellence in every aspect of their business especially in MSME. TQM practices have emerged as an effective approach to achieve this goal, and

their implementation has become a priority for many organizations.

According to S. Sridharan and P. Sridharan (2015), TQM practices have become a popular approach for organizations seeking to improve their performance and achieve a competitive advantage. TQM practices emphasize continuous improvement, customer focus, and employee involvement, which can lead to improved employee performance. The TQM practices that we will explore in this research include leadership, strategic planning, customer focus, information and analysis, people management, and process management. These practices have been widely recognized as critical components of TQM, and their successful implementation can significantly improve the performance of employees (Jain & Singh, 2017).

The leadership component of TQM practices emphasizes the importance of strong leadership in driving organizational change and creating a culture of quality (Ahire et al., 1996). Strategic planning ensures that an organization is aligned with its goals and objectives (Eskildsen & Dahlgard, 2000), while customer focus emphasizes the importance of meeting customer needs and expectations (Demirbag-Kaplan et al., 2015). Information and analysis help organizations make data-driven decisions (Zeng et al., 2018), while people management focuses on developing and empowering employees (Hussein et al., 2016). Lastly, process management ensures that all organizational processes are efficient and effective (Sila, 2007).

Total Quality Management (TQM) has been recognized as a crucial management approach for businesses, including Micro, Small, and Medium Enterprises (MSMEs), to enhance their competitiveness in the global market. TQM emphasizes continuous improvement, customer satisfaction, and employee involvement in all aspects of the business (Djaddang et al., 2019). The implementation of TQM in MSMEs has been shown to improve organizational performance, increase customer satisfaction, and enhance employee productivity.

The principles of TQM include leadership, customer focus, employee involvement, continuous improvement, process management, and data-driven decision making. Leadership is crucial in setting the direction and goals of the organization and in creating a culture of quality (Duggirala & Rajagopal, 2019). Customer focus emphasizes

understanding and meeting customer needs and expectations (Kumari, 2018). Employee involvement is critical for improving organizational performance and creating a sense of ownership among employees (Kanji, 2018). Continuous improvement is achieved through the implementation of quality tools and techniques (Rahayu, 2020). Process management involves the identification and improvement of all organizational processes (Sridharan & Joseph, 2017). Data-driven decision making is essential for effective problem-solving and decision making (Haksever & Bayraktar, 2018).

RESEARCH METHODOLOGY

The study was conducted in Pasuruan District, specifically in the regions of Grati, Lekok, Beji, Bangil, and Sukorejo, which have several UMKM food processing industries.

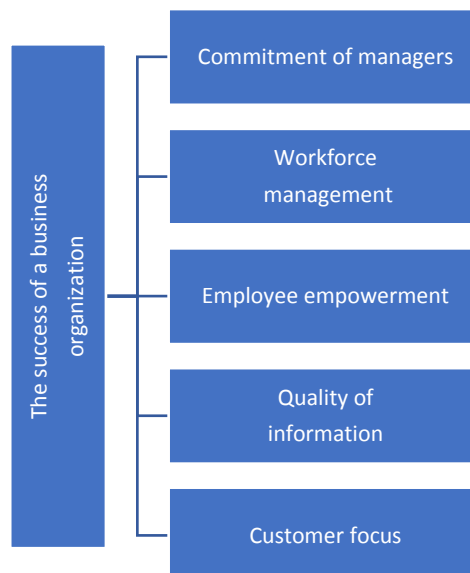


Figure 1 : research framework

In a simple diagram that is explained that TQM indicators such as the commitment of leaders or decision makers (in this case

managers), workforce management, HR or employee empowerment, quality of information resources, and customer focus will

have an impact on the success of a business organization.

This study used a quantitative research method with a correlation investigation. The study collected factual information through questionnaires that were distributed to the respondents. The researcher tested hypotheses to determine the relationship between the independent and dependent variables. The level of intervention was low, meaning that the study only analyzed events as they occurred. Researcher utilized primary and secondary data sources. Primary data was obtained directly from the respondents, particularly the owners of UMKM food processing industries in Pasuruan District, using a pre-designed questionnaire. The secondary data was used to complement or support the primary data. The study used a questionnaire to collect data, which consisted of written questions with clear options. Non-probability sampling was used with purposive sampling techniques. Purposive sampling was selected because the probability of the population is unknown, and the sampling is limited to specific individuals who can provide information as needed. The study defined the following categories or criteria:

1. The sample chosen to represent the study was UMKM food processing industries in Pasuruan District.

2. The informants were only the owners/managers of UMKM food processing industries in Pasuruan District.

The study used a Likert scale of 1-7 to collect data for each measured characteristic. SmartPLS 3.2.6 program used to analyze the data that are define of questions about the variables proposed in the study. The analysis consisted of testing the validity and reliability of the data, testing the structural model, and testing the hypotheses regarding the relationship between variables.

RESULT AND DISCUSSION

The characteristics of respondents based on gender are as follows, 53 men and 72 women. The total number of respondents was 125 people, with the majority of respondents holding roles as owners and managers of MSMEs, which is different from working as managers or managers alone. Respondents who act as owners and managers number 117 people or around 93.6%, and other respondents who act as leaders and managers in MSMEs only number 8 people or around 6.4%.

The following is the output of bootstrapping from SEM (Structural Equation Model).

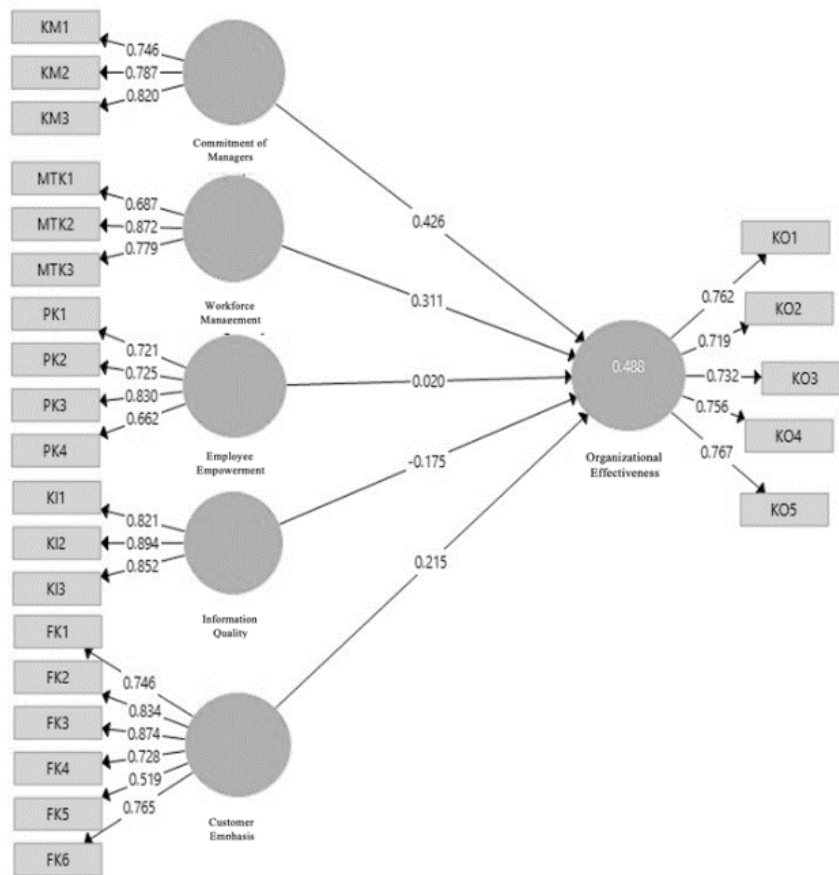


Figure 2. Indicator of TQM

The T-statistic between variables can be used to assess the relevance of the prediction model in structural testing. The t-value (t-

statistic) provided by the SmartPLS bootstrap process is used to assess whether the suggested hypothesis is supported or not.

Table 1. Hypothesis Test (Total Effect)

Indicator	Original Sample	Sample Mean	Standard Deviation	T Statistic	P Values
Customer Focus → Organizational Effectiveness	0.215	0.227	0.113	1.899	0.058
Employee Empowerment → Kinerja Organisasi	0.020	0.025	0.140	0.143	0.886
Information Quality → Organizational Effectiveness	-0.175	-0.178	0.142	1.238	0.216
Commitment of Manager → Organizational Effectiveness	0.426	0.419	0.097	4.402	0.000
Workforce Management → Organizational Effectiveness	0.311	0.320	0.110	2.824	0.005

Sumber :

The hypothesis is accepted if the t-statistic exceeds the t-threshold table value, namely the value of 1.96 for two-tailed hypotheses and the value of 1.64 for one-tailed hypotheses (Hair et

al., 2008). The author used a one-tailed hypothesis with a t-table limit value (t-statistic) of 1.64 in this study.

1. According to the first hypothesis, management dedication has a positive effect on organizational performance. The t-statistic value for the first hypothesis is 4.402, greater than the t-table value of 1.64. As a result, the first hypothesis is confirmed.
2. According to the second hypothesis, there is a positive influence of workforce management on organizational performance. This is shown by the t-statistic value of 2.824 for this hypothesis based on table findings, which is greater than the t-table constant value of 1.64. As a result, the second hypothesis is confirmed.
3. According to the third hypothesis, employee empowerment has a positive impact on organizational performance. The t-statistic value for the third hypothesis is 0.143, smaller than the t-table value of 1.64. Therefore, the third hypothesis is not supported.
4. According to the fourth hypothesis, information quality has a positive impact on organizational performance. The t-statistic value for the fourth hypothesis is 1.238, smaller than the t-table value of 1.64. As a result, the fourth hypothesis is not supported.
5. According to the fifth hypothesis, customer emphasis improves organizational effectiveness. The t-statistic value for the fifth hypothesis is 1.899, greater than the t-table value of 1.64. As a result, the hypothesis for the overall variable can be accepted.

The object of this research is the food processing industry of fishery products. The topic of this research is Total Quality Management (TQM) and its influence on organizational performance. The 125 respondents in this survey are owners or managers of food processing SMEs in the fishery sector. The data collection procedure lasted for about a month, with a survey return rate of 100%, allowing all collected questionnaires to be analyzed. Also, the findings of this investigation will be discussed.

The Influence of Managerial Commitment on Organizational Performance The findings of this research have significant meaning for the owners or managers of food processing SMEs in Pasuruan Regency, as they can help companies to apply TQM principles. Critical and major managers also participate in the success of the organization and the implementation of Total Quality Management, with performance aspects being a major factor in directing the organization towards achieving goals and strategies that will allow the organization to optimize business development. As a result, the higher the commitment and involvement of managers in the implementation of TQM, the more positive the organization's movement and management performance. According to Munizu (2010), those who believe that intensive commitment to management to encourage performance quality improvements can achieve business success.

The Influence of Workforce Management on Organizational Performance There is evidence in this research to support the second hypothesis, which suggests that workforce

management improves organizational performance. This conclusion is based on a t-statistic greater than 1.64 ($2.824 > 1.64$), indicating a significant relationship between workforce management and organizational performance.

CONCLUSION AND SUGGESTION

Based on the analysis of the Total Quality Management (TQM) approach in small and medium-sized enterprises (UMKM) in the food processing industry in Pasuruan Regency using 125 questionnaires distributed to managers or the owners, it was found that:

1. Managerial commitment has a positive significant effect on organizational performance. The more intensive the support and involvement of managers in implementing TQM, the higher the business performance.
2. Human resource management has a positive significant effect on organizational performance. The better the quality of human resources, the better the results of the products or services produced and achieved by human resources, which will have an impact on business sustainability.
3. Employee empowerment has a positive influence but is not significant on organizational performance.
4. Information quality has a negative significant effect on organizational performance.
5. Customer focus has a positive significant effect on organizational performance.

The implications of this research are that business owners or managers should pay attention to Total Quality Management (TQM) because its implementation affects several critical areas of business development. The study examined the TQM method in the fish food processing industry in Pasuruan Regency using five independent variables: the role and involvement of managers, human resource management, employee empowerment, information quality, and organizational performance. According to the research findings, managerial dedication and support have the greatest impact on business success, but human resource management and information quality also have a significant impact. Employee empowerment and information quality, on the other hand, have a small impact on organizational success. As a result, business owners or managers should focus on parameters that support organizational success. This study also revealed that, due to cost and time constraints, UMKM in the fish food processing industry in Pasuruan Regency pays less attention to employee empowerment and information quality factors and instead focuses on manager policies, customers, and human resource performance.

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