

**JURNAL ILMIAH MANAJEMEN BISNIS DAN INOVASI
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**THE IMPLEMENTATION OF TOTAL QUALITY MANAGEMENT (TQM)
ON EMPLOYEE PERFORMANCE AT PT LANCAR USAHA CIPTA KARYA**

Jeslyn Salim, Wahyudi Henky Soeparto

Universitas Ciputra

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Corresponding author:

Jeslyn Salim
jeslynsalim01@student.ciputra.ac.id

Abstract. *Indonesia is one of the countries with the largest number of smokers globally, with 70 million active smokers in 2023. PT Lancar Usaha Cipta Karya, a cigarette manufacturer in Paiton, faces challenges in human resource management, such as low job satisfaction, employee conflicts, uneven workload distribution, and high turnover rates. These issues negatively impact employee performance and the company's business sustainability. This study aims to analyze the influence of Total Quality Management (TQM) on job satisfaction and employee performance. The research findings show that TQM implementation has a significant positive effect on job satisfaction, which ultimately improves employee performance. These findings highlight the importance of consistently applying TQM, particularly by strengthening teamwork, conducting well-planned work evaluations, and providing fair recognition, to boost employee motivation, reduce turnover rates, and enhance overall company performance.*

Abstrak. Indonesia merupakan salah satu negara dengan jumlah perokok terbesar di dunia, dengan 70 juta perokok aktif pada tahun 2023. PT Lancar Usaha Cipta Karya, produsen rokok di Paiton, menghadapi tantangan dalam manajemen sumber daya manusia, seperti kepuasan kerja yang rendah, konflik karyawan, distribusi beban kerja yang tidak merata, dan tingkat pergantian karyawan yang tinggi. Masalah-masalah ini berdampak negatif terhadap kinerja karyawan dan keberlanjutan bisnis perusahaan. Penelitian ini bertujuan untuk menganalisis pengaruh Total Quality Management (TQM) terhadap kepuasan kerja dan kinerja karyawan. Temuan penelitian menunjukkan bahwa penerapan TQM memiliki efek positif yang signifikan terhadap kepuasan kerja, yang pada akhirnya meningkatkan kinerja karyawan. Temuan ini menyoroti pentingnya menerapkan TQM secara konsisten, terutama dengan memperkuat kerja sama tim, melakukan evaluasi kerja yang terencana dengan baik, dan memberikan pengakuan yang adil, untuk meningkatkan motivasi karyawan, mengurangi tingkat pergantian karyawan, dan meningkatkan kinerja perusahaan secara keseluruhan.

INTRODUCTION

According to data from the World Health Organization (WHO, 2018), Indonesia ranks seventh globally and second in Asia in terms of the number of smokers. Data from the Tobacco Control Support Center (2012) indicate that cigarette consumption in Indonesia increased from 182 billion cigarettes in 2001 to 260.8 billion in 2009. In 2023, the Indonesian Health Survey (SKI) conducted by the Ministry of Health (Kemenkes, 2023) estimated that the number of active smokers had reached approximately 70 million people. Maintaining the quality of products and services is a key factor in sustaining long-term business success. Therefore, companies must establish high-quality standards to remain competitive within their respective industries. Good quality standards can enhance efficiency and effectiveness, enabling companies to implement robust management systems. Such systems can serve as tools to improve overall organizational quality. One widely used quality management tool is Total Quality Management (TQM) (Mutriana, 2024). Total Quality Management (TQM) refers to a management approach focused on continuous improvement, grounded in core values, specific techniques, and tools that encompass key activities aimed at enhancing customer satisfaction through consistently improving product and service quality, while optimizing resource utilization (Abbas & Kumari, 2021). Within TQM, companies strive to create an environment in which employees are empowered to produce goods or services that align with organizational goals. As such, companies must implement appropriate performance measurement systems to identify quality and performance characteristics and determine the steps necessary to enhance employee productivity (Sugiarto, 2024). Additionally, Abukhader & Onbaşıoğlu (2021) have also found that the implementation of TQM has a significant impact on employee performance.

Employee performance is one area where researchers have consistently identified a positive relationship with the implementation of TQM (Sciarelli, Gheith & Tani, 2020). Human resources are a critical element that must be addressed in all company activities, as people play a central role in the success of organizations. Therefore, human resources serve as the backbone that determines organizational success. Moreover, employee performance is closely tied to job satisfaction. Employees who are satisfied with their jobs tend to work harder and are more likely to achieve optimal performance (Putra et al., 2021).

Previous studies also indicate that job satisfaction has a positive and significant influence on employee performance (Steven & Prasetyo, 2020; Setiani & Febrian, 2023; Aniversari, 2022). Conversely, Fauziek & Yanuari (2021) found that job satisfaction has a negative impact on performance, while Basri & Rauf (2021) concluded that job satisfaction does not affect employee performance. Job satisfaction itself is defined as a pleasant or positive emotional state resulting from an individual's evaluation of their job or work experience (Paparang, 2021). Job satisfaction can vary from person to person depending on their personal values. Each individual entering the workforce expects to gain satisfaction from their workplace. The more job aspects align with individual preferences, the higher the level of job satisfaction experienced. This, in turn, has a positive impact on employee performance within an organization (Rediansyah, 2023).

Research by Syarifudin et al. (2023) revealed that the implementation of Total Quality Management (TQM) has a significant positive effect on employee job satisfaction. However, a study by Wahani et al. (2021) did not find a significant relationship between TQM implementation and job satisfaction. This study focuses on PT Lancar Usaha Cipta Karya, a cigarette manufacturing company located in Paiton. The company serves local markets in Sorong, Medan, and Luwu and is recognized for producing high-quality products while employing a large workforce.

However, PT Lancar Usaha Cipta Karya faces several challenges related to human resource management. The company struggles to retain employees, as indicated by the high turnover rate. This imbalance likely reflects low levels of job satisfaction, which in turn adversely affects employee performance. Given these issues, it is imperative for the company to pay greater attention to its workforce. The discrepancy between employee intake and resignation indicates low job satisfaction levels, ultimately leading to decreased performance. The company must take proactive steps to identify employee needs and enhance motivation and morale. These efforts are expected to improve employee performance and, consequently, reduce turnover rates. indicator TQM in this research: (1) Customer Focus; (2) Continuous Improvement and (3) Employee Engagement and Empowerment (Lamato & Karuntu, 2017).

The hypotheses in this study are: (1) Total quality management has a positive and significant effect of employee performance, (2) Job satisfaction has a positive and significant effect of employee performance, (3) Total quality management has a positive and significant effect on employee performance.

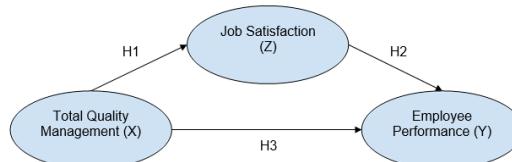


Figure 1. Research Hypotheses

METHODS

This study employs a quantitative research approach. According to Sugiyono (2020), quantitative research is a method used to test hypotheses by collecting data through measurements or observations of predetermined variables. In this thesis, the researcher applies a correlational research method. The term “correlational” originates from the concept of correlation. According to Sukardi (2021), correlational research involves collecting data to determine whether there is a relationship between two or more variables and to what extent this relationship exists. A key characteristic of correlational research is that it does not require a large number of research subjects.

The research was conducted from November 2024 to December 2024. Data collection took place at PT. Lancar Usaha Cipta Karya, located at Jl. Raya Paiton No. 15, Dusun Waduk, Jabung Candi, Kec. Paiton, Kabupaten Probolinggo, East Java.

This study used non-probability sampling, specifically purposive sampling. According to Sugiyono

(2020), purposive sampling is a technique in which the sample is selected based on specific considerations. In this research, the specific criterion used to determine the sample is that respondents must be employees in the production division.

The population of this study consists of 300 employees in the production division.

$$n = \frac{300}{1 + 300 (0,05)^2}$$

$$n = \frac{300}{1 + 0,75}$$

$$n = \frac{300}{1,75}$$

$$n = 171,43$$

Based on the formula above, the calculated sample size is **171.43**. However, to simplify data processing and analysis, the researcher rounded the sample size up to 172 respondents.

RESULTS AND DISCUSSION

Outer Model

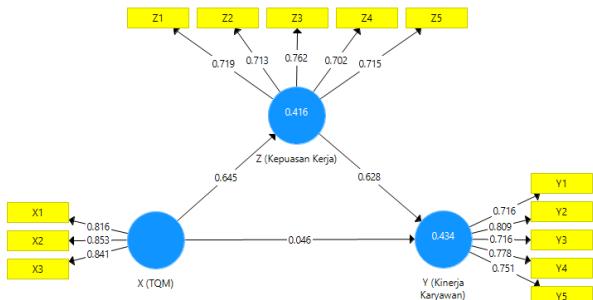


Figure 2. Full Model Testing

Convergent Validity

In the convergent validity testing phase of SEM-PLS, an item is considered valid if it has an outer loading value greater than 0.7. Based on Table 1 below, all indicators in this study have outer loading values exceeding the minimum threshold of 0.7. Therefore, all questionnaire items used in this research are considered valid.

Table 1. Convergent Validity

X1	0.816	Y1	0.716	Z1 0.719
X1	0.853	Y2	0.809	Z2 0.713
X1	0.841	Y3	0.716	Z3 0.762
		Y4	0.778	Z4 0.702
		Y5	0.751	Z5 0.715

In addition to the outer loading values, a variable can also be considered valid in terms of variance if the AVE value is greater than 0.5 and the rho_A value is greater than 0.6. Based on Table 2 below, the AVE and rho_A values for all variables have met the specified criteria. Therefore, all latent

variables are deemed suitable for further analysis using SEM-PLS in the cross-loading interpretation phase.

Table 2. Rho_A and AVE Value

	rho_A	Average Variance Extracted (AVE)
	0.786	01
	0.812	70
	0.773	22

Discriminant Validity

Discriminant validity testing in SmartPLS through cross-loading requires that the correlation value of each item with its own variable must be higher than the correlation value with other variables. This has been represented in the table above by bolding the loading values of each item, as shown.

Table 3. Cross Loading Value

	X (TQM)	Y (Employee Performance)	Z (Job Satisfaction)
X1	0.816	0.393	0.522
X2	0.853	0.377	0.549
X3	0.841	0.363	0.549
Y1	0.357	0.716	0.584
Y2	0.286	0.809	0.466
Y3	0.381	0.716	0.491
Y4	0.349	0.778	0.458
Y5	0.314	0.751	0.448
Z1	0.422	0.465	0.719
Z2	0.450	0.442	0.713
Z3	0.536	0.500	0.762
Z4	0.434	0.473	0.702
Z5	0.479	0.492	0.715

Another simple procedure that researchers can use to assess cumulative cross-loading is through HTMT (Heterotrait-Monotrait Ratio). HTMT is used to evaluate discriminant validity and achieves a higher level of specificity and sensitivity compared to the cross-loading criterion. Gold et al. (2021) state that if the HTMT value is < 0.90 , discriminant validity has been established between two reflective constructs. In this regard, the table above demonstrates that the HTMT values have met the established benchmark for SEM-PLS.

Table 4. HTMT

X			
Y	60		
Z	26	19	

Reliability Test

Reliability in SEM-PLS analysis is assessed based on Composite Reliability and Cronbach's Alpha values. An item is considered reliable if the Cronbach's Alpha value exceeds 0.6 and the Composite Reliability is greater than 0.7. Below are the results of the analysis obtained using SmartPLS.

Table 5. Reliability Values

Cronbach's Alpha	Composite Reliability
0.86	0.875
0.811	0.869
0.771	0.845

R Square

Table 6. Coefficient Determination

	Square	Square Adjusted
	0.434	0.427
	0.416	0.413

The coefficient of determination is used to assess the strength or weakness of the relationship between variables in a study. An R Square value of ≥ 0.75 indicates that the model has a strong contribution, a value of ≥ 0.50 indicates a moderate model, and a value of ≥ 0.25 indicates a weak model. Based on the R Square values presented in the table, it can be seen that variable X contributes 41.6% to the formation of variable Z. In another aspect, variable Z contributes 43.4% to the formation of variable Y. Lastly, taken together, variable X through Z contributes 85% to the realization of variable Y. The influence of each individual hypothesis on the formation of Y is considered weak, as all coefficient values are ≤ 0.50 . However, collectively, X and Z exert a strong influence on Y, with a value of ≥ 0.75 , or 0.85.

Hypothesis Testing

The model assessing the direct effects uses a significance level of 0.05 or 5%. Therefore, a variable is considered to have a significant effect and the null hypothesis (H_0) is rejected if the t-value is greater than 1.96. Additionally, the researcher employed p-values, where a value of < 0.05 is deemed statistically significant.

Table 7. Bootstrapping SmartPLS 3

	T statistics	Statistics (T>1.9)	P values	Conclusion (P<0.05)
X -> Y	0,562	No Significant Effect	0,574	Not Significant
X -> Z	16,264	Significant Effect	0,000	Significant
Z -> Y	9,063	Significant Effect	0,000	Significant

The Effect of TQM on Employee Performance

The results of the analysis using SmartPLS 3 indicate that Total Quality Management (TQM) does not have a significant effect on employee performance. This is evidenced by a p-value of 0.574, which is greater than 0.05, and a t-statistic of 0.562, which is less than the critical value of 1.96. Therefore, it can be concluded that Hypothesis H3 is rejected, as there is no significant direct effect.

The Effect of TQM on Job Satisfaction

The analysis using SmartPLS 3 shows that TQM has a significant effect on job satisfaction. This is supported by a p-value of 0.000, which is less than 0.05, and a t-statistic of 16.264, which exceeds the threshold of 1.96. Thus, Hypothesis H1 is accepted, indicating a significant direct effect.

The Effect of Job Satisfaction on Employee Performance

The analysis results using SmartPLS 3 reveal that job satisfaction has a significant effect on employee performance. This is demonstrated by a p-value of 0.000 (less than 0.05) and a t-statistic of 6.063, which is greater than 1.96. Accordingly, Hypothesis H2 is accepted, confirming a significant direct effect.

CONCLUSION

Based on the analysis conducted in this study, it can be concluded that the implementation of Total Quality Management (TQM) has a positive and significant effect on employee job satisfaction at PT Lancar Usaha Cipta Karya. This implies that the effective application of TQM principles can enhance employees' job satisfaction. Furthermore, job satisfaction is shown to have a positive and significant effect on employee performance, indicating that higher levels of job satisfaction lead to better performance outcomes. However, the findings also reveal that TQM does not directly affect employee performance in a statistically significant way. This suggests that TQM enhances performance indirectly through improvements in job satisfaction. Therefore, job satisfaction serves as a crucial mediating variable in the relationship between TQM and employee performance.

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