

THE EFFECT OF TOTAL QUALITY MANAGEMENT (TQM) PRACTICES ON EMPLOYEES JOB SATISFACTION AND ORGANIZATIONAL PERFORMANCE

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ABSTRACT

The study to discover the effect of Total Quality Management (TQM) towards employee's job satisfaction and organizational performance. Data was collected by questionnaire instrument. The unit of analysis is branch office of the state company in Padang city. The study utilized primary data which is obtained through questionnaire. Total sampling is used in this study. 97 questionnaire were returned as a final sample. Data were analyzed by Path Analysis performed by SPSS 23 software. The result show that TQM implementation have positive and significant effect both on organizational performance and employee's job satisfaction. Employee's job satisfaction has positive and significant effect on organizational performance. Organizational performance is more influenced by employee's job satisfaction than TQM

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INTRODUCTION

In the business world, performance becomes one of the centers of attention. A lot of research is done related to performance. Performance is a condition that must be known and informed to stakeholders to know the level of achievement of the organization. Organizational performance is based on how effectively to achieve objective through effective and efficient utilization of resources (Lussier: 2006). Managers must be able to utilize management tools to achieve organizational goals despite limited resources in the organization. Employees with all the competencies (character, knowledge, and ability) are key elements of the organization to achieve good performance. In an effort to solve this very complex problem, the organization must improve its performance through the improvement of its employees' performance.

Increasing performance and competition in the market has driven organization to adopt various approaches, such as Total Quality Management (TQM). TQM is an

integrated management philosophy and set of practices that emphasize, among other things, continuous improvement, meeting customer's requirements, reducing rework, long-range thinking, increased employee involvement and teamwork, process design, competitive benchmarking, team-based problem solving, constant measurement of results, and closer relationship (Ross, 1993). Glover (1993) proposed a TQM consisting of a five-stage implementation framework, consisting of awareness, education, structural change, required activity or outcomes or expected improvement. Some literature has shown the relationship between organizational performance and TQM. The result show TQM practice increase organizational performance (Cetindere et al., 2015; Chong & Rundus, 2004) The implementation of TQM is one of the most complex activities that any organization can attempt, the main reason being that it involves a change in working culture and impacts people.

At this time the state company carried out expansion outside its main business so as to make the energy that should be used focus on developing its main business to be diverted to the development of a side business. This side business development is often carried out only because of the need for management and employees not based on professional business feasibility. The low sensitivity of management responsibility makes the state company performance worse. This shows that the problem of BUMN performance is both in the internal business perspective and in the learning perspective.

There is a lot of TQM literature that has evolved to examine the relationship between TQM and employees' job satisfaction in various countries as well as industries (for example, Guimaraes, 1996, 1997; Gardner & Carlopio, 1996; Noorliza & Zainal, 2000; Boselie & Wiele, 2002; Boon et al., 2007; Mosadeghrad, 2014). But there is no literature on state company in Padang City, West Sumatera. The research show TQM practice increase job satisfaction level. Job satisfaction is not a static state but is subject to influence and modification from forces within and outside an individual, that is his or her own personal characteristics and the immediate working environment (Lam, 1995).

Organizational outcomes are affected by job satisfaction, so its very important for organization (Gray et al., 2003). Job satisfaction is defined as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences" (Locke, 1976). Job satisfaction plays important role on organizational performance. The quality of employee organization relationship requires fulfillment of needs, quality of interaction, adaptibility and identification. Employee involvement it is also an effective way satisfying them. When employees are given employee empowerment, then it leads to job satisfaction. Latif et al., (2013) show there is a significant impact of job satisfaction on organizational performances in development organization. TQM in any organization—manufacturing, service, nonprofit, or government—and that it generates improved bottom line financial performance (Walton, 1986).

Theoretical framework was determined by reviewing literature; so that model of Mosadeghrad (2014); (Ateş, Ökten, & Kitapçı, 2009); (Jain, 2010) for TQM and job satisfaction. Model of Latif et al., (2013) and (Bakotić, 2016) for employee's job satisfaction and organizational performance. Model of Aslefallah & Badizadeh (2014); Taleghani et al., (2013); Munizu (2013) for TQM and organizational performance. According to previous studies and the definitions presented above, the following

conceptual model is presented to examine the effect of TQM on employee's job satisfaction and organizational performance, as described in Figure 1.

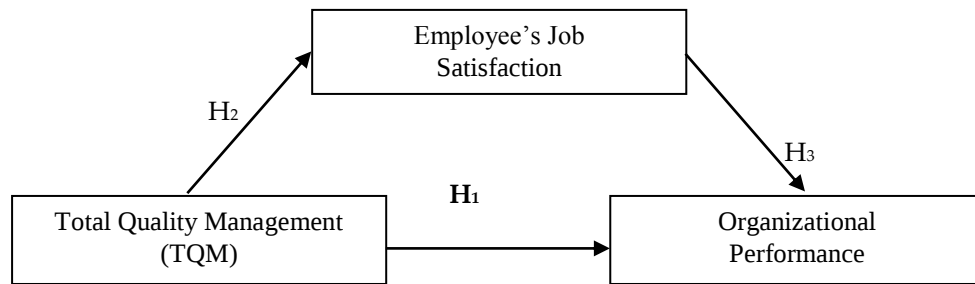


Figure 1. The Conceptual Model

Conceptual model above generates three hypotheses will be tested in the study. Therefore, the hypotheses could be formulated as follows:

- H₁: Total Quality Management (TQM) has significant effect toward organizational performance
- H₂: Total Quality Management (TQM) has significant effect toward employee job satisfaction
- H₃: Employee's job satisfaction has significant effect toward organizational performance

RESEARCH METHOD

This study uses quantitative approach. Quantitative approach is explaining phenomena by collecting numerical data that are analyzed using mathematically based methods (in particular statistics) (Muijs, 2010). The quantitative approach is used when one begins with a theory (or hypothesis) and test for confirmation or disconfirmation of that hypothesis (Newman, 1998). The data used in this study were obtained from a questionnaire method. Respondents of this study all the managers of state company in Padang City. They are financial manager, operation manager, human resource manager, and marketing manager. The information about companies was obtained from Statistical Bureau Center of West Sumatera Province, Indonesia. The population of this study consisted of registered state company. There were 28 stated company registered officially (BPS West Sumatera, 2016). All population are selected to be sampled (total sampling). As many 28 units of state company were surveyed. A number of 97 questionnaire were collected from 112 distributed until the end of survey.

At the present model, TQM is exogenous variable. Employee's job satisfaction and organizational performance are endogenous variables. The major material to collect data is questionnaire based on which twelve dimensions for TQM: executive commitment, adopting philosophy, closer to customer, closer to supplier, benchmarking, training, open organization, employee empowerment, zero-defects mentality, flexible manufacturing, process improvement, and measurement (Powell, 1995). Nine dimensions were used to measure employee's job satisfaction: salaries and benefits, recognition and promotion, management and supervision, co-workers, task requirement, organization policies, working conditions, nature the job, and job security (Mosadeghrad, 2014). Seven dimensions were used to measure organizational performance: effectiveness, efficiency and utilization of resources, productivity, quality, quality of work life, innovation, profitability and budget compliance (Cetindere et al., 2015).

In order to determine the degree with which participants agree with statements, a five answer Likert Scale consisting of 1) Strongly disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly agree were used in the answer section. The survey data was analyzed using the SPSS software.

The validity instrument tested by Pearson Product Moment Correlation. The instrument has high validity if the correlation value of each indicator to total correlation more than 0.30 or $r\text{-value} > 0.30$ (Cooper & Emory, 2002). The instrument was tested for reliability with Cronbach's Alpha. The reliability criteria if Cronbach's Alpha > 0.6 (Hair et al., 1998). Result for validity and reliability test are described in Table 1.

Table 1. Result for Validity and Reliability Test

No	Variables/ Indicators	Corrected item-total correlation		Cronbach's alpha	Description
		Min	Max		
1	TQM (X)	0.444	0.543	0.726	Valid Reliable
2	Employee's Job Satisfaction (Y ₁)	0.395	0.466	0.691	Valid Reliable
3	Organizational Performance (Y ₂)	0.398	0.544	0.722	Valid Reliable

The data analysis uses both Descriptive statistical analysis and Path analysis. Descriptive statistical analysis aims to describe respondent demographic i.e. age, sex, education, position, and salary. Path analysis is used to test the hypotheses. One advantage of path analysis over conventional regression analysis is ability to extend the single-multiple-regression-equation treatment to a network of equations involving more than one equation. In this research can differentiate direct and indirect effects (Hair et al., 1998).

RESULTS AND DISCUSSION

Respondent of this research have quite different characteristics. Diversity can be seen from the personal data of respondents including sex, education, position, and salary. The majority of respondent who participated in this study as male gender (64.95%), aged between 40 to 45 years (38.14%), having level education bachelor degree (53.02%), having position within company as a human resource manager (26,81%) and having salary IDR 6,001,000 to 7,000,000 (31.95%). Demographics of respondents in Table 2.

The research variables tested in this study consisted of three variables, Total Quality Management (TQM), employee's job satisfaction, and organizational performance. Respondents answered each item on the TQM (X), employee job satisfaction (Y₁), and organizational performance (Y₂) from strongly disagree (scale 1) to strongly agree (scale 5). The result for mean value of research variables indicators in Table 3.

Table 2. Demographics of Respondents

		Numbers of respondents (NR)	Percentage of NR to number of TR*
Sex	Male	63	64.95%
	Female	34	35.05%
Age	$20 \leq \text{age} < 25$	2	2.07%
	$25 \leq \text{age} < 30$	6	6.18%
	$30 \leq \text{age} < 35$	14	14.43%
	$35 \leq \text{age} < 40$	25	25.78%
	$40 \leq \text{age} < 45$	37	38.14%
	$45 \leq \text{age} < 50$	5	5.15%
	$50 \leq \text{age} < 55$	3	3.10%
	$55 \geq \text{age}$	5	5.15%
Education	High School or below	-	-
	Junior college	34	35.05%
	University	52	53.02%
	Master or above	11	6.26%
Position	Financial Manager	25	25.77%
	Operation Manager	25	25.77%
	Human Resource Manager	26	26.81%
	Marketing Manager	21	21.65%
Salary	$2,000,000 \leq$	-	-
	2,000,000-3,000,000	-	-
	3,000,001-4,000,000	7	7.27%
	4,000,001-5,000,000	29	29.88%
	5,000,001-6,000,000	21	21.64%
	6,000,001-7,000,000	31	31.95%
	$\geq 7,000,001$	9	9.26%

Source: Primary data processed by the author

According to Table 3, it can be reveals that average value (mean) of TQM implementation variable was in high category (4.24), process improvement as the highest indicator (4.35), and executive commitment as the lowest indicator (3.98). Variable of employee's job satisfaction was in high category (4.15), management and supervision as the highest indicator (4.34), and salaries and benefits as the lowest indicator. Variable of Organizational performances was in high category (4.13), productivity as the highest indicator (4.25), and effectiveness as the lowest indicator (3.93).

Table 3. Result of Mean Value of Research Variables/ Indicators

No	Variables/ Indicators	Mean	Description
1	Total Quality Management (X)	4.24	High
	Executive Commitment	3.98	High
	Adopting Philosophy	4.17	High
	Closer to customer	4.09	High
	Closer to supplier	4.14	High
	Benchmarking	4.24	High
	Training	4.24	High
	Open Organization	4.31	Very high
	Employee Empowerment	4.32	Very high
	Zero-defects mentality	4.31	Very high
	Flexible manufacturing	4.34	Very high
	Process improvement	4.35	Very high
	Measurement	4.29	Very high
2	Employee's Job Satisfaction (Y ₁)	4.15	High
	Salaries and Benefits	3.94	High
	Recognition and promotion	4.04	High
	Management and supervision	4.34	Very High
	Co-workers	4.17	High
	Task environment	4.18	High
	Organization policies	4.22	High
	Working conditions	4.03	High
	Nature the jobs	4.20	High
	Job security	4.15	High
3	Organizational Performance (Y ₂)	4.13	High
	Effectiveness	3.93	High
	Efficiency & utilization of resources	4.12	High
	Productivity	4.25	High
	Quality	4.20	High
	Quality of work life	4.21	High
	Innovation	4.20	High
	Profitability and budget compliance	3.95	High

The conceptual model illustrated in Figure 2 has three hypothesized relationship among the variables TQM, employee job satisfaction, and organizational performances. Figure 2 and Table 4 display the path diagram resulting from the path analysis using SPSS for windows.

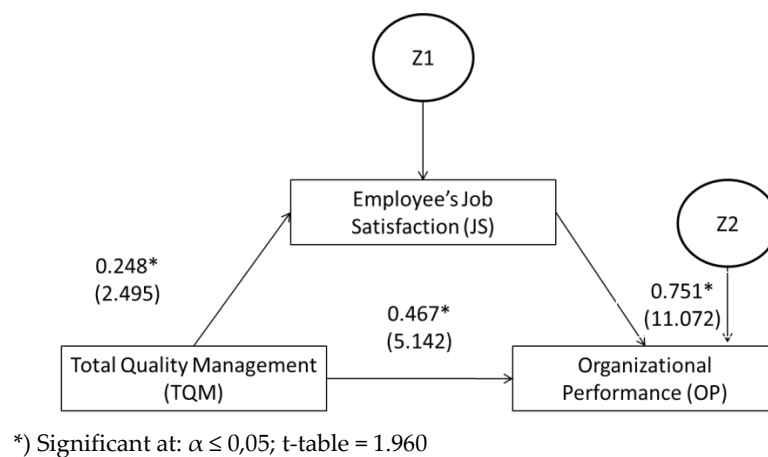
**Figure 2. Results of the Path Model**

Figure 2 shows the path analysis results. In this figure presented the path coefficient and t-statistic value. Table 4 shows more about direct effects and indirect effects:

Table 4. Result for the Path Model

Hypothesis	Relationship	Direct Effect	Indirect Effect	Total Effect	Description
H ₁	QM → OP	0.467 (5.142)	0.186	0.653	Supported
H ₂	QM → JS	0.248 (2.495)			Supported
H ₃	JS → OP	0.751 (11.072)			Supported

Source: Primary data processed by the author

The results of the path analysis are also presented in table 4 indicating support for all the hypotheses. Hypothesis 1 stated Total Quality Management (TQM) has significant effect toward organizational performance. The standardized coefficient is 0.467, which is statically significant at prob. < 0.05 (t-statistic = 5.142). The statistical significance of hypotheses 1 confirms the implementation TQM directly improve organizational performance.

Hypothesis 2 stated Total Quality Management (TQM) have significant effect toward employee job satisfaction. The standardized coefficient 0.248, which is statically significant at prob < 0.05 (t-statistic = 2.495). The statistical significance of hypotheses 2 confirms the implementation TQM directly improve employee's job satisfaction.

The result indicate the job satisfaction has significant effect toward organizational performance, hypothesis 3 in this research also supported. The standardized coefficient is 0.751, which is statistically significant at prob. < 0.05 (t-statistic = 11.072).

The standardized coefficient of indirect effect of TQM toward organizational performance is 0.186, which is significant at prob. < 0.05. An analysis from Table 4 indicate TQM implementation have direct and positive effect on organizational performance as well as an indirect one through the competitive advantage.

The result show that organizational performance is more influenced by employee's job satisfaction than TQM. These research indicate that TQM implementation improve employee's job satisfaction at the first, second, employee's job satisfaction will improve organizational performance.

The result of this research revealed that where teamwork and cooperation was perceived as a dominant TQM implementation, there was a strong association with employee's job satisfaction. The result implies that TQM recognized the importance of teamwork to facilitate employee's ability to work together to get a job done (Noorliza & Zainal, 2000; Gifford et al., 2002; Jain, 2010). TQM practice from a theoretical perspective, it will enhance organizational performance. This finding lends further support to the frequently suggested management practices and strategies for achieving improved organizational performance in TQM firms. More specifically, our finding provides further empirical support for prior study by (Munizu, 2013; Chong & Rundus, 2004; Aslefallah & Badizadeh, 2014). Satisfied workers are more productive and have good working environment. Satisfied workers tend to less absenteeism to work (Latif et al., 2013). This findings of this research also indicate the presence of an intermediate role of employee's job satisfaction between TQM implementation and organizational performance.

CONCLUSIONS

The aim of this research to discover the effect of TQM on employee's job satisfaction and organizational performance at state company Padang city, West Sumatra Province, Indonesia. TQM have positive and significant effect toward organizational performance and employee's job satisfaction. Employee's job satisfaction has positive and significant effect toward organizational performance. TQM best explanation in improving organizational performance through employee's job satisfaction dimensions such as salaries and benefit, recognition and promotion, management and supervision, co-workers, task environment, organization policies, working conditions, nature the jobs and the job security.

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