

# **The Effect of *Total Quality Management* (TQM) on Company Performance (Case Study of Wholesale and Retail Business at UD NKC Rupert Karyasindo)**

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**Abstract.** This study aims to determine the influence of Total Quality Management practices on the Performance of Wholesale and Retail Business Companies at UD NKC Rupert Karyasindo, in this study there are five independent variables, namely, Focus on Customers, Teamwork, Training, Leadership, and Communication. The population in this study is employees of UD NKC Rupert Karyasindo with a sample of 43 respondents in this study obtained using the slovin formula. This study uses SEM (Structural Equation Modeling) and Path Coefficient analysis using the Partial Least Square (PLS) method. The results of this study found that four of the five independent variables, namely Focus on customers, Training, Leadership, and Communication, had a positive and significant influence on company performance. Meanwhile, the Teamwork variable does not have a positive and significant effect on the company's performance. The findings of this study are when the practice of Total Quality Management is applied as improving the quality of distributing goods that can improve company performance.

**Keywords:** Total Quality Management, Company Performance

## **1. Introduction**

In a business world full of change and uncertainty, companies must face challenges to sustain business and achieve competitive advantage. Company performance, which includes profitability, efficiency, and operational effectiveness, is key to business continuity. Globalization demands that companies compete in both local and global markets, with performance that includes cost, quality, flexibility, and delivery as indicators of goal achievement (Risti Romadoni, 2022).

Good performance helps companies survive and compete in the global market, gain more customers, and build trust (Latuconsina, 2020). The successful distribution of goods requires superior human resources, which has a significant impact on the company's competition and development. The use of an effective management system can improve the company's performance through employee roles.

Total Quality Management (TQM) is a quality management method used to improve a company's performance by involving the entire organization, customers, and suppliers to

improve the quality of products and services on a sustainable basis (Ali Abd Alhasan et al., 2022). The implementation of TQM aims to consistently improve the quality of products or services, human resources, processes, and the environment, so as to produce the best and superior performance compared to competitors (Ratnawati et al., 2018).

UD. NKC Rupert Karyasindo is a trading company that focuses on the distribution of office stationery, basic necessities, and household appliances, both with wholesale and retail sales. Wholesale sales involve buying in large quantities to be resold to various stores, while retail sales are carried out through seven retail branches in Batam City. The company runs direct cash sales to stores and credit sales through Sales, which includes customer orders, record publishing, packing, and shipping. In its operations, UD. NKC Rupert Karyasindo implements Total Quality Management (TQM) with a focus on customer needs. The success of the distribution of goods depends on superior human resources, teamwork, good training, communication between admins and warehouses, and effective leadership. The company faces obstacles in the distribution of goods, such as delays in delivery due to the high number of orders, especially from customers who are far away. Errors in the delivery of goods, such as errors in the quantity or type of goods, are frequent and can damage customer trust and damage the company's image regarding delivery accuracy.

Total Quality Management (TQM) emphasizes customer satisfaction and quality control to prevent errors in orders. The implementation of TQM also aims to improve quality on an ongoing basis, through training and customer satisfaction. Companies need to focus on customers to maintain and increase loyalty and improve teamwork in effective and efficient distribution. Employee training is important to ensure optimal understanding and performance, while strong supervisory leadership is necessary to minimize errors (Oladele Ayodeji et al., 2021).

Research shows that the TQM dimension has a significant influence on management performance in various sectors, including manufacturing and in the context of wholesale and retail businesses. However, detailed observations of TQM in wholesale and retail businesses are limited, with research results varying in their impact on the research variables (Jumady et al., 2021).

## **2. Literature Review**

### **2.1 Total Quality Management**

Total Quality Management (TQM) is a management approach that aims to ensure customer satisfaction through continuous improvement in business processes. The implementation of TQM can also improve the company's profit, competitiveness and performance by focusing on improving product quality and controlling production costs (Riaz et al., 2023).

TQM has several key elements that are important for its success that will be used in this study, including customer focus, teamwork, education and training, leadership, and

communication. These principles are the basis for achieving excellence in all aspects of products and services that are important to customers (Prayhoego & Devie, 2018).

## **2.2 Focus on the Customer**

Focus on customers is an important element in implementing TQM. Companies must thoroughly understand consumer needs and behaviors and establish long-term relationships with them. This not only affects the company's relationship with customers, but also the company's overall performance (Made et al., 2020).

## **2.3 Teamwork**

A team is defined as a group of people (two or more) who consider themselves and are considered by others to be social units with clear and mutually acceptable goals and objectives. Although there is no single definition for the concept of a team, some common characteristics can be identified from previous research. Teams are made up of members who identify as part of the team, have clear and specific roles, and work closely and interdependently towards a common goal. Team members also communicate regularly to coordinate tasks and hold regular meetings to reflect on work and review team processes (Sten et al., 2023).

## **2.4 Training**

Employee training is an important aspect of workforce management, especially during significant organizational changes. For training to be effective and turn employees into creative problem solvers, it must focus on small group problem-solving, effective communication, and control of quality-related statistical processes. There is a strong correlation between training and employee satisfaction, which plays a crucial role in increasing satisfaction and, consequently, increasing work productivity. Employees who undergo job training tend to have a higher level of satisfaction compared to those who do not have the opportunity

## **2.5 Leadership**

According to (Bass M., 1990) leadership is not only the process of influencing a leader over others but the process of interaction that can be influenced by anyone involved. Leadership is the ability to motivate others to achieve their own goals. The human factors that bind the group help improve performance and lead them to achieve organizational goals. Leaders are responsible for the variability and productivity of the organization.

## **2.6 Communication**

Implementing effective communication in business is an important factor for success. To bring about effective change in an organization, employees play a key role in it. So, for this reason, it is important for a management organization to address the problems and concerns of its employees and reward them when necessary. It is important to reduce job insecurity and create a community environment so that employees are well aware of their responsibilities. Reforms in the organization and their benefits will inspire employees to invest and implement transition programs.

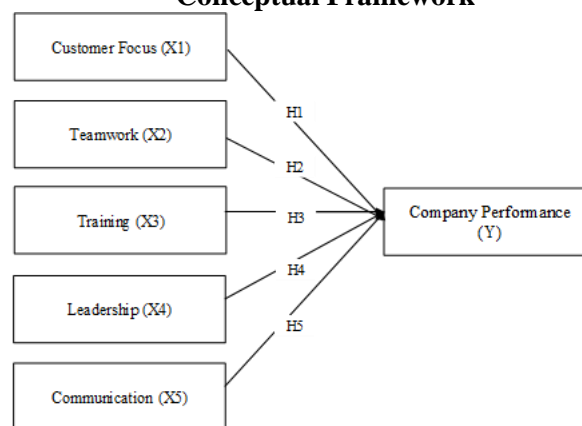
## **2.7 Company Performance**

Organizational performance shows the effectiveness of the implementation of tasks to meet the set goals. This includes achievements in operational processes, resource utilization,

and the company's focus on target markets and profits (Sahoo & Yadav, 2018). Evaluating a company's performance involves several factors such as quality, delivery precision, waste management, defect frequency, inventory procurement, cost efficiency in production, and lead time. Performance appraisals go beyond financial metrics, including operational efficiency and the ability to meet customer expectations and satisfaction (Sugiyono, 2018).

## 2.8 Conceptual Framework

**Picture 1**  
**Conceptual Framework**



The research framework as the basis of understanding is needed to facilitate the implementation of research and facilitate understanding.

## 3. Research Methodology

This study operationalizes variables by defining and determining how to measure independent variables (X) and dependent variables (Y). The independent variables of Total Quality Management include customer focus, teamwork, training, leadership, and communication. The dependent variable is the company's performance, which reflects the achievement of work results according to norms and standards. Data collection uses the Likert scale (ranging from 1 to 5) to measure respondents' level of agreement.

This study integrates quantitative data, with quantitative data used for hypothesis testing. Respondents provided primary data through questionnaires, while secondary data came from literature and online sources. Conducted at UD NKC Rupert Karyasindo and its seven retail branches in Batam, Riau Islands, this research focuses on corporate performance and the implementation of TQM. Sampling involved 43 respondents who were selected using the Slovin formula from a total population of 76 employees. Non-probability sampling is applied.

The data collection method includes observation, interviews, and questionnaires, followed by editing, coding, and cleaning before analysis using SmartPLS 3. The data processing method used in this study is structural equation modeling (SEM).

The analysis uses SEM, especially PLS, by analyzing the measurement model consisting of a convergence validity test, a discrimination validity test, and a reliability test. And perform a structural model analysis consisting of an  $R^2$  test and a path coefficient test by performing a bootstrapping test.

## **4. Result**

### **4.1 Characteristics Responden**

The respondents in this study consisted of employees of UD NKC Rupert Karyasindo and seven of its retail stores, with characteristics including gender, age, last education, and section of the company where they worked. Based on gender, the majority of respondents were male (56%) compared to female (44%). In terms of age, the majority are in the range of 20-29 years (73%), with smaller percentages for <19 years old (14%), 30-39 years old (9%), and 40-49 years old (5%). In terms of last education, most of the respondents were high school/vocational school (86%), followed by D3 (5%), junior high school (7%), and D4/S1 (2%). As for the part in the company where they work, most of the respondents came from the Warehouse department (47%), followed by the Cashier (23%), Admin (21%), and Sales (9%).

### **4.2 Descriptive Analysis**

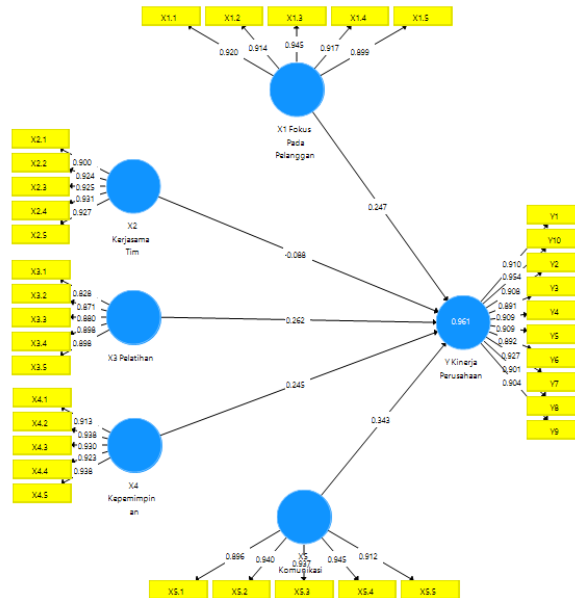
The descriptive analysis in this study uses a Likert scale of 1-5 to assess variables. The customer-focused variable got the highest average of 3.51, indicating good feedback reception. The teamwork variable had the highest average of 3.47, indicating the dependence of employees in achieving common goals. The training variable recorded the highest average of 3.53, indicating the effectiveness of training in improving employee knowledge. The leadership variable reached the highest average of 3.67, indicating management's support for employee innovation. The communication variable recorded the highest average of 3.51, indicating the effectiveness of the communication system in improving the company's performance.

In this study, the validity and reliability of six variables (Focus on customers, teamwork, training, leadership, communication, and company performance) were tested using SmartPLS with 43 respondents. The testing process includes convergence validity tests, discrimination validity tests, and reliability tests to ensure accurate results, using SmartPLS 3 for measurement model analysis.

### **4.3 Measurement Model Testing (*Outer Model*)**

#### **Convergence Validity Test**

**Picture 2**  
**Designing Research Models**



In this study, the convergence validity test was carried out by measuring the correlation between reflective indicators and their construction. Validity testing for reflective indicators can be done using the correlation between the indicator score and its construct score. Measurements with reflective indicators show that there is a change in an indicator in a construct if other indicators in the same construct change. The outer loading value  $> 0.5$  is the optimal value, meaning that the indicator is valid for measuring the constructed construction.

According to Chin (1998) in Ghazali (2012: 25), a correlation can be said to meet the validity of convergence if it has a loading value greater than 0.5. Therefore, this study uses a loading factor limit of  $>0.5$ .

**Table 1**  
**Output of Outer Loadings**

	X1	X2	X3	X4	X5	Y
X1.1	0.920					
X1.2	0.914					
X1.3	0.945					
X1.4	0.917					
X1.5	0.899					
X2.1		0.900				
X2.2		0.924				
X2.3		0.925				
X2.4		0.931				
X2.5		0.927				
X3.1			0.828			
X3.2			0.871			
X3.3			0.880			
X3.4			0.898			
X3.5			0.898			
X4.1				0.913		
X4.2				0.938		
X4.3				0.930		
X4.4				0.923		
X4.5				0.938		
X5.1					0.896	
X5.2					0.940	
X5.3					0.937	
X5.4					0.945	
X5.5					0.912	
Y1						0.910
Y2						0.908
Y3						0.891
Y4						0.909
Y5						0.909
Y6						0.892
Y7						0.927
Y8						0.901
Y9						0.904
Y10						0.954

The results of the convergence validity test data processing can be seen in the table above. The results of the outer model value or the correlation between the construction and the variable can meet the convergent validity because all indicators have a loading factor value above 0.05.

#### **Discrimination Validity Test**

To test the validity of the discrimination, the *Fornell-Larcker Criterion* is used which states that the AVE square root value of each variable must be greater than the correlation between that variable and other variables in the model. The validity of discrimination is satisfied if each variable dominates the value of other variables that are not directly related to that variable.

**Table 2**  
**Results of the Validity Test of Discrimination**

	X1	X2	X3	X4	X5	Y
X1	0,919					
X2	0,905	0,922				
X3	0,899	0,895	0,875			
X4	0,945	0,911	0,906	0,929		
X5	0,934	0,893	0,885	0,939	0,926	
Y	0,954	0,899	0,93	0,956	0,956	0,911

Based on the table above, it can be seen that the value that the square root value of AVE of each variable is greater than the correlation between that variable and other variables in the model, which means that the discriminatory validity requirements in this model have been met

#### **Reliability Test**

The reliability test in this study was evaluated using *Cronbach's Alpha* (CA) and *Composite Reliability* (CR) coefficients. A variable is considered reliable if the values of Cronbach's Alpha (CA) and Composite Reliability (CR) exceed 0.70.

**Table 3**  
**Reliability Test Results**

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance
Customer Focus (X1)	0.954	0.955	0.965	0.845
Teamwork (X2)	0.956	0.956	0.966	0.849
Training (X3)	0.924	0.925	0.942	0.766
Leadership (X4)	0.960	0.960	0.969	0.862
Communication (X5)	0.959	0.959	0.968	0.858
Company Performance (Y)	0.977	0.977	0.980	0.829

From the table above, it shows that all research variables have *Cronbach's Alpha* (CA) and *Composite Reliability* (CR) values of more than 0.70. Therefore, from these results, it can be concluded that the variables Focus on Customer, Teamwork, Training, Leadership, Communication, and Company Performance in this study are reliable.

#### **4.4 Testing the Structural Model (*Inner Model*)**

In the PLS-SEM method, after testing the outer model, the next step is to test the structural model (*inner model*) to show the construction and path relationship between independent and dependent latent variables. In the inner model analysis, it was carried out by analyzing R-Square (R<sup>2</sup>) on the dependent variable and analyzing *the path coefficient* on the independent variable. To find the significance between variables use the t-statistic value of each path.

#### **Determination Test (R<sup>2</sup>)**

R-Square is a measure of the proportion of variation in the value of the affected variable (independent variable) that can be explained by the variable that affects it (the dependent variable).

**Table 4 Output R2 Test**

	<b>R Square</b>	<b>R Square Adjusted</b>
<b>Y</b>	0.961	0.956

From the results of the table above, it can be seen that the ability of variables X1, X2, X3, X4, and X5 in explaining the variable Y is 0.961 or 96.1% which means that it is large or strong explained by the total quality management variable.

### *Path Coefficients*

**Table 5  
Hypothesis Test Results (Bootstrapping)**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Kesimpulan
X1 Customer Focus → Y Company Performance	0,247	0,253	0,084	2,926	<b>0,004</b>	H1 Accepted
X2 Teamwork → Y Company Performance	-0,088	-0,103	0,133	0,662	<b>0,508</b>	H2 Rejected
X3 Training → Y Company Performance	0,262	0,263	0,074	3,523	<b>0,000</b>	H3 Accepted
X4 Leadership → Y Company Performance	0,245	0,240	0,103	2,388	<b>0,017</b>	H4 Accepted
X5 Communication → Y Company Performance	0,343	0,355	0,128	2,673	<b>0,008</b>	H5 Accepted

Testing of the inner model through the path coefficient shows that the H1, H3, H4, and H5 tests get positive and significant results on the company's performance, with the variables focusing on customers, training, leadership, and communication because the results of the P-Value value are  $< 0.05$  and the T-Statistic  $> 1.96$ . However, in the H2 test with the variable tested is teamwork, the result is that the hypothesis is rejected because the P-Value value is 0.508 or  $> 0.05$  and the T-Statistic is 0.662 or  $< 1.96$  so there is no significant relationship between the variables of teamwork and company performance.

## **5. Conclusion**

Based on the research findings and discussion, this study analyzes the impact of Total Quality Management (TQM) on the performance of UD NKC Rupert Karyasindo. The results indicate that the variables Customer Focus, Training, Leadership, and Communication have a positive and significant influence on company performance. This finding highlights that customer-

oriented strategies, continuous employee training, effective leadership, and strong communication play a crucial role in improving overall company performance.

On the other hand, the Teamwork variable does not show a significant impact on company performance. This suggests that while teamwork is an essential element in an organization, factors such as ineffective coordination or suboptimal communication may hinder its contribution to performance improvement. Therefore, the company needs to evaluate and enhance its teamwork mechanisms to ensure better synergy among employees.

Overall, this study confirms that the proper implementation of TQM principles can positively impact company performance, particularly through customer focus, employee training, quality leadership, and effective communication. Meanwhile, strategies to strengthen teamwork should be further considered to support the comprehensive implementation of TQM.

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