

# A STUDY OF TOTAL QUALITY MANAGEMENT PRACTICE APPROACHES FOR SMALL BUSINESSES IN INDONESIA

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**Abstract.** The focus of this study is on TQM adoption in small enterprises, particularly in Indonesia. The main data that will be studied in this paper is taken from the paper that discusses how warung tegal and warung padang implement TQM in their business. The reason the subject is sampled as the main data is because the subjects are sufficient to represent SMEs in the food industry in Indonesia. Customer Orientation, Continuous Improvement, and Employee Empowerment are the three components of TQM that are employed as study indicators. The findings reveal that the TQM concept has not been properly applied at *Warung Tegal* and *Warung Padang*. This is owing to the fact that not all criteria can be implemented adequately in practice. Consumer orientation is critical since the customer defines quality. To create adjustments, it is necessary to collect information on what the client wants on a frequent basis. In terms of continuous improvement criteria, the average response revealed that the majority of food stalls failed to meet the TQM application in continuous improvement criterion. In terms of employee empowerment, a third of *Warung Tegal* and *Warung Padang* employees are recruited from families, which may or may not have anything to do with quality.

Keywords: Small businesses enterprises, total quality management, Indonesia

## 1. INTRODUCTION

*Warung Tegal* and *Warung Padang* are scattered around in every inch of the roads, nearly in every city from Sabang to Merauke throughout Indonesia. This phenomenon inspires me to write and delve deeper to understand what is going on there in terms of how those *Warungs* can survive and how they can manage and maintain their small businesses. In this paper Total Quality Management (TQM) will be the main topic of discussion in the hope of giving insight to small-medium enterprises (SME) such as *Warung Padang* and *Warung Tegal* about understanding TQM better and practicing it efficiently.

Total Quality Management (TQM) is an aspect within operation management that covers an organization's effort to manage growth and installments within the organization to fulfill the market's or customer's demand on products and services of particular value. TQM has been used in

many enterprises in order to develop, and stay competitive. However, the practices of TQM is also affected by factors from within the organization itself, i.e. the organization size, the custom, as well as on what base does the organization runs on. TQM, especially in Indonesia, has been practiced for so long, yet not every small enterprise in Indonesia fully understands what TQM is and how to practice an effective TQM. The discussion regarding this subject then further developed into a question: "How does the TQM in small enterprises work and how effective is it?"

The purpose of this paper is to investigate the involvement of TQM in small-medium enterprises (SME) in Indonesia, and this paper also aimed to observe the effectiveness of TQM Implementation in SMEs, based on general aspects of TQM. By using reviews of several literature regarding the subject, TQM practices then can be highlighted and further discussed. General aspects of TQM will be

thoroughly observed and used as a comparison to several papers to highlight how effective the practices of TQM in SMEs in Indonesia are. However the standpoints of SMEs in Indonesia may differ from SMEs in other countries due to limitation, custom, and cultures that may affect the practices. In addition, this paper is aimed to define a proper approach of TQM practices for SMEs.

The paper is structured as follows. The next section of the paper reviews some of the literature about the subject of research, and explores how the aspects of TQM has been implemented in SMEs in Indonesia. A review of one of the literature shows an Inadequate results of the TQM practice in their subject of research, however another literature showed a meaningful headway on the subject. This will lead into a further discussion on what causes the differences in the results of these literatures. The section following the literature review describes the research methodology of this paper. Following this section is a section that shows results of this study. The paper is then finished by the conclusion of the study.

## 2. LITERATURE REVIEW

The advancement of growth in technology has led to a more competitive direction in regards to business practices. TQM is one of the most influential forces for business continuity as has been empirically proven by Hendricks, K.B. and Singhal, V.R. (1997) and Vimal Kumar, R.R.K. Sharma, (2018) that TQM improves company performances.

According to Nasution (2011), TQM could be seen as a unification of all management's functions, all aspects of an enterprise, and people into a holistic philosophy that is built on a concept of quality, team work, productivity, and customer satisfaction.

TQM practices that focus on a product quality can increase the quality of managerial performances, because product quality shows results, evaluation, and advancement of company's management. TQM positively affects the performance of management (Uum and Andri, 2020). An empirical research was conducted to observe how TQM affects the performance of management by using the purposive sampling method, the subjects were SMEs of Yogyakarta in Indonesia. The results show that TQM positively affects the performance of management (Uum and Andri, 2020). In this case, to achieve a greater result, a company should evaluate further to fix and improve TQM practices,

while maintaining customer satisfaction, building trust with the supplier, etc. However TQM does not affect the profit of the SMEs directly. This is due to how product qualities of several SMEs in Indonesia do not appeal to their market as much, thus lowering their profit, in spite of the fact that they have decent TQM practices.

Nevertheless the results of research by Malamansyah, Rosdiana, and Nurlili (2014) contradicts their findings. It stated there, that as the TQM practices of a company improves, so does the profit of their company will increase. This difference is because of the sample of enterprise they use in their research. While Uum and Andri (2020) uses samples of SMEs they use the sample of PT. Pos Indonesia. Therefore, not every SMEs can apply TQM practices that could improve their quality, due to limitations in their capabilities.

This brings up a discussion topic "Whether or not a company size affects TQM practices." Lately, SMEs are at the center of interest for economic growth of developing countries such as Indonesia. According to Wiele and Brown (1998) Larger enterprises unable to improve the quality of their products, services and processes, unless their supplier also grows to a higher level of quality, this includes SMEs that play the role of supplier for bigger enterprises. As stated by McTeer and Dale (1994), SMEs are no less concerned with the quality than their larger company counterparts, yet SMEs in Indonesia are not comfortable with the formal approaches that are often part of ISO 9000 series registration, and the introduction of TQM. A research paper (Z.T. Temtime, 2003) has looked into the characteristics, strengths, and shortcomings of SMEs when it comes to TQM adoption. Since they use a small number of SMEs as a sample, therefore the result has not been tested and validated. The data backed up their claim that planning, business size, and TQM practices had statistically significant correlations. SME planning behavior, on the other hand, is more closely linked to TQM practices than size of business. They also advised SMEs to be aware that planning and TQM are not a "magic bullet" or solution for all SMEs' issues. Many SMEs merely jump on the TQM bandwagon without fully comprehending what TQM entails for them or the potential implications.

As previously mentioned, SMEs have a significant impact on a region's and even a country's economic development. SMEs in industrialized nations are influenced by a variety of variables., and according

to (Rahman, S, -U. (2001a) & (Rahman, S, -U. (2001b)), Location, size, age, structure, organization, number of workers, sales volume, asset value, and ownership via innovation and technology are all variables that identify advanced SMEs. A research paper by Yolanda Masnita (2019) observed the relationship between TQM, Incremental Innovation, Radical Innovation, and Firm Performance. The results show that Incremental Innovation is suitable for SMEs development processes in various sectors. Furthermore, the link between TQM practices, entrepreneurial strategies, and performance can alter and evolve over time, especially since regulation is a dynamic that incorporates a wide range of behavioral, organizational, and environmental elements all of which can influence interactions. ( Yunis, M., Jung, J. and Chen, S. (2012)).

According to Demirbag M., et al. (2006), the application of TQM can improve the performance of large and small businesses, and there are three common principles forming the theory of TQM based on Shea and Gobeli (1995). The criterias are customer orientation, employee empowerment, and continuous improvement. As shown in a research by Purwojatmiko & Nurcahyo (2020), it shows that customer orientation criteria of the aforementioned theory is carried out in the TQM principle of SMEs in Indonesia. Meanwhile, the continuous improvement criteria and employee empowerment criteria is dismally applied due to several issues. In Indonesia, SMEs have yet to comprehend the need of continual improvement in ensuring the long-term viability of their enterprises. In the employee empowerment criteria, on the other hand, SMEs in Indonesia are still classified as family enterprises, and as a result, SMEs continue to use family member principles in their workforce.

Granted that all the above studies provide a useful understanding of the perceptions of SMEs towards TQM practices, the best approach of TQM practices in SMEs are not yet defined. This paper is focused on defining the approach best for SMEs in Indonesia.

### 3. METHODOLOGY

In this paper, the research methodology approach that is being used is a qualitative method where the total approach to the research process, from theoretical background through data collecting and analysis. As a result, a survey was performed to answer the study questions, and a questionnaire

was chosen as the method to learn about TQM adoption in small businesses.

Several studies have been undertaken to investigate TQM important elements and common hurdles, however the results are mixed. Despite the fact that the results vary, a similar set of practices that are regarded as vital to the success of a TQM program has been found.

Customer orientation, employee empowerment, and continuous improvement are three fundamental ideas recognized by Shea & Gobeli (1995) as defining the philosophy of TQM. The questionnaire is built on the basis of the three common concepts outlined by Shea and Gobeli. As a result, the questionnaire for this study was separated into three sections. The first section, client orientation, consists of ten questions. Employee empowerment is the second section, which includes six exploratory questions. There are five questions in the concluding section, which is about ongoing progress.

The approach for this paper is by observing results of other papers and comparing it with general TQM practices and theories. The paper of Purwojatmiko and Nurcahyo highlights the necessary data of the required subject to study. This paper's subjects are *warung tegal* and *warung padang*, where these two types of small businesses are one of the most prevalent types of small businesses in Indonesia. The example enterprises in this study are all registered private companies in the food sector, with a number of paid full-time employees ranging from 6 to 25. As a result, neither informal nor micro businesses that are formally established but have less than six paid employees are included in the research. For this study, a research instrument consisting of a series of questions was utilized to collect information from respondents. The interview-based study analysis included a total of 21 firms.

The aspects that will be highlighted through this paper are Customer Orientation, Continuous Improvement, Employee Empowerment, as this is the most accessible aspect of TQM that every SMEs in Indonesia can practice at ease.

### 4. RESULT

#### CUSTOMER ORIENTATION

In this aspect of TQM, information regarding how employees behave towards customers and how to handle complaints was gathered, as well as the

preparation of the stall area in terms of cleanliness etc. the results of the questions in this aspect were more or less met the standards of TQM practice everywhere, but only several points were lacking, especially how the employees rarely offer the customer economic package menu.

### CONTINUOUS IMPROVEMENT

The questions from *Warung Tegal* and *Warung Padang* are below average, with one question just over average. These two questions have to do with menu changes and benchmarking against similar food stalls. Because the menu has a connection with what the client wants, menu selection may or may not have a substantial impact on quality. *Warung Tegal* and *Warung Padang* should use benchmarking as a strategy for continual improvement by seeing what their competitors' advantages are and competing in the market. In general, *Warung Tegal* and *Warung Padang* have done internal continuous improvement through routine evaluation and employee feedback, but they have not found external stimulation through benchmarking.

### EMPLOYEE EMPOWERMENT

Half of the personnel at *Warung Tegal* and *Warung Padang* have distinct job descriptions, indicating that they have specialized skills. Half of them also claim to train employees for new menus at their food booths. To stay up with what clients want, cooking training for a new menu is required. In general, *Warung Tegal* and *Warung Padang* lack a defined strategy for training and enhancing the skills of their staff. Moreover, there is no procedure if an employee needs to be absent from work. However, half of the subjects of the study have allocation tasks for each employee for different jobs.

We discovered a correlation between the use of TQM and the performance of restaurants and food stalls as a result of this study. In general, TQM may help big and small businesses in a variety of industries, including SMEs, enhance their performance. The financial and non-financial components of SMEs' performance are examined in the quantity analysis. Profits, sales, and return on investment can all be used to evaluate a business financially. It may be observed in non-financial terms by the amount of expertise with which the employee reacts to the customer's demands. This study focuses on evaluating non-financial components of performance. Not all components of TQM that apply to restaurants and food stalls have

a direct impact on SMEs' performance. The component of customer orientation that SMEs' management notices the most is customer orientation. This remark backs up the findings of earlier studies that indicate TQM has a favorable impact on knowledge and practices in SMEs.

However, in order to assess the efficiency of a SME, it must be broken down into several types. Because each SMEs is unique, resulting in distinct performance requirements, structural questions may be valuable in gaining a deeper understanding.

### 5. CONCLUSION

The purpose of this study is to see if comprehensive quality management can be applied to small enterprises, particularly food booths in Depok. Aside from that, the goal of this study is to learn about the impact of overall quality management in small firms. Based on Shea and Gobeli, there are three basic elements that make up the TQM theory that are applied in this study (1995). Customer orientation, staff empowerment, and continual improvement are the criteria. For data collection, this study used a questionnaire and exploratory questions in 21 *Warung Tegal* and *Warung Padang* in Indonesia.

According to the findings, *Warung Tegal* and *Warung Padang* have implemented the TQM concept in their business activities for customer oriented criteria. They believe that customers are critical to their company's long-term viability.

In terms of continuous improvement criteria, *Warung Tegal* and *Warung Padang* are still struggling to implement the TQM concept in their daily operations. They still don't comprehend the need for constant development in ensuring the long-term viability of their company.

In terms of employee empowerment criteria, most small firms in this category are still categorized as family enterprises, hence the criteria for employee empowerment are still based on family values. There is still no framework in place that governs and pays attention to employee empowerment in the workplace.

However, the purpose of this work is to determine if *Warung Tegal* and *Warung Padang* have adopted TQM using questionnaire data. This study has a lot of limitations, including a small number of samples and research conducted solely in Depok, which, of course, does not adequately characterize the state

of small enterprises in Indonesia in terms of TQM implementation. However, this study can shed light on how TQM can be applied to small firms, particularly *Warung Tegal* and *Warung Padang* in Depok City.

To improve evaluation outcomes, including specifics of TQM criteria as measurement parameters is recommended. Another essential factor in representing and analyzing better results is sample size.

Further study utilizing the Structural Equation Modeling (SEM) approach might aid in identifying and describing the link between TQM criteria utilized as indicators of TQM adoption.

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