

Role of Knowledge Management on the Influence of Total Quality Management on Organizational Performance

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ABSTRACT

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The purpose of the study was to analyze the effect of Total Quality Management on Organizational Performance mediated by Knowledge Management. This study used primary data in the form of a questionnaire to test hypotheses and analyzed using Structural Equation Modeling (SEM). The sample of this study amounted to 103 SMEs in Bengkulu City. The data analysis technique used WarpPLS version 6.0 software. The results showed that Total Quality Management had an effect on organizational performance and knowledge management did not mediate the effect of TQM on organizational performance.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the economic growth of developing countries such as Indonesia. The MSME sector was proven to be able to survive the global economic crisis from 1997 to 1998. Even after the economic crisis the number of MSMEs increased and was able to absorb 85 to 107 million workers until 2012 (Suci, 2017). It should be appreciated if MSMEs are an important sector as a driving force for the Indonesian economy.

(Tambunan, 2012), revealed that one of the characteristics of MSMEs in Indonesia is the potential to increase employment growth, generate income, and reduce poverty. In addition, MSMEs play an important role in economic development, distribution of development results, and increasing international trade through diversification (LPPI, 2015).

Although MSMEs play an important role in overall economic growth, in reality, there are still many traditional problems faced by MSME actors in operational, financial, and performance development activities, such as lack of capital both in quantity and source,

low quality of technology, lack of managerial skills and abilities. operating a business, low productivity, regulatory burdens in the era of globalization, and a technology-driven environment (Bassanini, Scarpetta, & Visco, 2000). In addition, local MSME products in developing countries are less desirable than imported products (Cheng Lu Wang & Chen, 2004). This is a problem for domestic producers to compete with foreign products entering Indonesia. For this reason, the right strategy is needed to win the competition so that the products produced have high competitiveness and competitive advantage to improve organizational performance.

One way to improve organizational performance is by implementing Total Quality Management practices (Valmohammadi, 2011), which is a customer-focused management system by involving all levels of employees through continuous improvement (Martínez-Lemos, Puig Ribera, & García-García, 2014). (Almahamid & Qasrawi, 2017) revealing that many researchers consider Total Quality Management as an approach to improve efficiency, flexibility, and business competitiveness to meet customer needs and have an impact on operational and financial

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benefits for organizations to increase competitive advantage.

(Li, Zhao, Zhang, Chen, & Cao, 2018)

Good implementation of Total Quality Management will increase productivity, reduce production costs, and improve quality. Total Quality Management can be implemented in any organization or economic sector because Total Quality Management causes product/service improvements, creates customer and employee satisfaction, and improves financial performance, competitiveness, and productivity (Parvadavardini, Vivek, & Devadasan, 2016). Organizational performance can support competitive sources through the capacity and capabilities of the operating system selected by the organization, such as product/service prices, product quality, and delivery times (Jagoda & Kiridena, 2015).

(Almahamid & Qasrawi, 2017) revealed that the implementation of Total Quality Management had a positive effect on organizational performance (Singh, Kumar, & Singh, 2018) (Shafiq, Lasrado, & Hafeez, 2019). This study proves that the more effective the implementation of Total Quality Management, the maximum organizational performance can be achieved. In contrast, (Kober, Subraamanniam, & Watson, 2012), stated that there is no evidence of the relationship between Total Quality Management and financial performance because the actors lack the commitment to implement Total Quality Management in the face of external pressure. Total Quality Management practices encourage organizations to improve good relationships with suppliers and customers (Honarpour, Jusoh, & Md Nor, 2018). This motivates the organization to gain more knowledge about suppliers and customers from outside the organization.

The knowledge that has been acquired will be disseminated within the organization while the existing knowledge can be modified, and the new information used to respond to customer needs (Honarpour et al., 2018). For this reason, managing knowledge is very important, so Knowledge Management is a solution for organizational success (Chen, Huang, & Cheng, 2009). (Almahamid & Qasrawi, 2017) showed that Total Quality Management had a positive effect on the Knowledge Management process (Ooi, Teh, &

Chong, 2009). This study reveals the importance of the practice of Total Quality Management in the process of developing the right Knowledge Management for the organization. Total Quality Management and Knowledge Management are long-term strategies to achieve competitive advantage and innovation (Honarpour et al., 2018).

Knowledge Management is an important topic for organizations (Al - Hakim & Hassan, 2013). Knowledge Management is a discipline and function of knowledge created, acquired, shared, codified, and used through an environment that allows improving innovation and organizational performance (Al-Tit, 2016). To improve competitiveness and rational decision-making through the transfer of information derived from the knowledge acquired by the company. (Almahamid & Qasrawi, 2017) there is a positive influence between Knowledge Management and organizational performance, both operational and financial (Zhining Wang & Wang, 2012).

Based on the description above, there are still contradictions between Total Quality Management and organizational performance. This study uses Knowledge Management which will mediate Total Quality Management on organizational performance with a case study of MSMEs in Bengkulu City. The existence of free trade makes SMEs need to maximize the implementation of Total Quality Management in the face of increasingly competitive market competition in improving organizational performance and the quality of products/services offered. The purpose of this study is to determine the purpose of Total Quality Management on organizational performance with Knowledge Management as a mediating variable.

Method

This research is descriptive quantitative with an explanatory approach. The population in this study is SMEs in the city of Bengkulu. The research sample amounted to 187 MSMEs. The sampling technique used is the convenience sampling technique, which is a technique used to collect information from population members who can provide the information needed by researchers (Sekaran, 2009). The technique of collecting data is

through an online questionnaire which is distributed using a google form. Data analysis using Warp PLS version 6.0 program.

RESULTS AND DISCUSSION

A. Data Analysis

Of the 203 distributed questionnaires that could be processed, 175 (86%) and 28 (14%) could not be returned, because the data were incomplete.

The validity test uses convergent validity and discriminant validity with a p-value <0.05. The validity test is presented in Table 1 and Table 2.

**Table 1
Convergent Validity Measurement Results**

V	N
T	0,
K	0,

Source: processed data (2021)

**Table 2
Discriminant Validity Measurement Results**

Variabel	TQM	KM	KO
TQM	(0,722)	0,503	0,06
KM	0,503	(0,728)	0,195
KO	0,067	0,195	(0,861)

Source: processed data (2021)

Based on Table 1 and Table 2, it is known that both the convergent validity and discriminant validity tests concluded that all variables were valid and met the belief.

The reliability test in this study was tested using the composite reliability coefficient and Cronbach's alpha value above 0.70. The validity test is presented in Table 3:

**Table 3
Composite Reliability Measurement Results and Cronbach's Alpha**

Variabel	Composite Reliability	Cronbach's Alpha
TQM	0,929	0,917
KM	0,849	0,777
KO	0,934	0,909

Source: processed data (2021)

Based on Table 3, it is concluded that all variables in the study are reliable and can be relied upon to be used in further analytical tests.

**Table 4
Hypothesis testing
Direct Effects Before Mediation Variables**

Relationship between Variables	Path Coefficient	p-value
TQM - KO	0,22	<0,01
KM - KO	0,28	<0,01
Direct Effect After Mediation Variable		
TQM - KO	-0,08	0,11
TQM - KM	0,59	<0,01
KM - KO	0,04	0,26

Source: processed data (2021)

1. Testing Direct Effects Before Mediation Variables

a. The Influence of Total Quality Management on Organizational Performance

Based on Table 4, it is known that Total Quality Management has a positive and significant effect on organizational performance. This indicates that the implementation of Total Quality Management will play a significant role in increasing the knowledge of an organization.

b. The Influence of Knowledge Management on Organizational Performance

Based on the calculation results show that Knowledge Management has a significant positive effect on organizational performance. This indicates that Knowledge Management has an important role in improving organizational performance

2. Testing Direct Effects After Mediation Variables

a. Effect of Total Quality Management on Knowledge Management.

Based on Table 4, it is known that Total Quality Management has a significant positive effect on Knowledge

Management. These results indicate that the practice of increasing Total Quality Management will play a significant role in improving the knowledge management of an organization.

3. Indirect Effect Test

a. The Influence of Total Quality Management on Organizational Performance through Knowledge Management.

Based on Table 4, it is known that the path coefficient value of Total Quality Management to organizational performance before being included in the mediation variable and Total Quality Management to organizational performance after being included in the mediation variable decreased from 0.22 to -0.08 and the p-value was initially significant ($<0, 01$) becomes insignificant (0.11). According to Hair et al. (2010), when the path coefficient value from the independent variable to the dependent variable decreases and is not significant, the form of mediation that occurs is full mediation. However, this is not supported by the direct influence test between variables. The effect of Total Quality Management on Knowledge Management is significantly positive, while Knowledge Management on Organizational Performance is not significant. Thus, it is concluded that there is an indication that Knowledge Management does not mediate the effect of Total Quality Management on Organizational Performance. This shows that when organizations implement Total Quality Management practices that encourage organizations to carry out Knowledge Management processes, organizational performance has increased but not significantly.

B. Discussion

The Influence of Total Quality Management on Organizational Performance through Knowledge

Management. The results showed that knowledge management could not mediate the effect of total quality management on organizational performance in MSMEs in Bengkulu City. The results of this study do not support the research of Qaswari et al (2017), which shows that the knowledge management variable can mediate the effect of Total Quality Management on organizational performance. The insignificant results may be due to the knowledge obtained from inside and outside the organization is not used optimally and is not realized in the form of knowledge that can provide added value for the organization to compete with competitors.

Conclusion

The results showed that the knowledge management variable did not mediate the effect of TQM on organizational performance. This is because the implementation of KM is not good and is not realized in the form of innovation that can provide added value so that it does not improve organizational performance.

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