# total quality management of micro, small and medium

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# TOTAL QUALITY MANAGEMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES), AND THE IMPACT TO ORGANIZATIONAL CULTURE AND PERFORMANCE: EMERGING COUNTRY CASE

Aziz A.R.Z., Sumantoro I.B., Maria D. \*

Abstract: The purpose of this paper is to determine the correlation and effect between the implementation of Total Quality Management (TQM) and organizational culture on MSMEs' organizational performance in Indonesia. The data analysing techniqual was descriptively carried out by multiple linear regression. The research method used the model to investigate a relationship between organizational culture, Total Quality Management implementation and performance on MSMEs in Lampung and Surabaya. The data of MSMEs was obtained to the Indonesian Statistics Bureau. The paper found that the correlation and effect between the implementation of Total Quality Management and organizational culture on organizational performance in Indonesia, to provide practical powledge for Indonesian practitioners, and to understand the eminence of the implementation of Total Quality Management and organizational culture on MSMEs' performance. Total Quality Management and organizational culture on MSMEs' performance. Total Quality Management constructs engaged a positive role in improving organizational performance.

Key words: organizational performance, TQM, organizational culture, MSMEs

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### Introduction

The modern industries have improved organizational performance. Many studies have investigated the Total Quality Management philosophy and methods of qualified practitioners. Total Quality Management has helped companies provide classy services and improve manufacturing processes by providing quality products that meet customer satisfaction standards, offer competitive advantages, and win better market shares (Brown, 1994). The epidemethod provide product and service of quality. Implementation of Total Quality Management in the organization has been the answer to this challenge of global competition. Total Quality Management will bring the companies to a world-class service and manufacturing organizations, by providing the kind of quality products and services required for customer satisfaction, have gained a competitive edge and

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greater market share (Shahab, 2010; Michael et al., 2018). It has become a practice for the modern industry to improve organizational performance over the past few years. In addition, the implementation of Total Quality Management is influenced through culture. The culture ize very important variable and has a relationship between success and barrier (22 otal Quality Management deployment.

Essentially, the basis of the implementation of Total Quality Management is the participation to improve the processes, products, services, and culture. In theory-based implementation, this approach was found in Philip B. Crosby (1980), and W. Edwards Deming (1986), as the contributors of pioneer to quality concepts on The Total Quality Management in Indonesia and many Indonesian companies have implemented the Total Quality Management systems or quality assurance systems. However, in reality, they are still less effective in the system and implementation of Total Quality Management at the company level. Furthermore, the deficiency of empirical research has been systematically done dealing with the application of TQM in Indonesia through reviewing literature in an academic manner. It can be a sequence to conduct research by deciding the major Total Quality Management implementation practices in place in Indonesian companies can be summarized as the following: statistical process control, the seven basic tools of QC, QCC activities, self-assessment, quality inspection, the establishment of quality departments, cause and effect studies, and internal audits.

Total Quality Management literature indicated that organizational culture is an important aspect in the prosperous of Total Quality Management in 21 mentation (Cameron and Quinn, 2006). Organizational culture has affected the soft and hard Total Quality Management. The 21an and adhocracy cultures provide the best working environment for the successful implementation of Total Quality Management (Khalifa, 2000). Many companies fail to implement Total Quality Management because they do not recognize that the implementation of the procedure may be a fundamental change of direction, 132 values and culture of their company (Das, 2008). Another study found that an important determinant of quality management success and organizational performance is organizational culture recognizing (Brown, 1994). In the Indonesian context, previous research has proposed the obstacles to key issues of the quality management system are characterized as societis ultural dynamic rather than technical-structural Indonesia. Implementation of Total Quality Management has a positive and significant influence in shaping the organizational culture (Aziz and Morita, 2016; Mokgari 6 d Pwaka, 2018). Furthermore, Jimenez-Jimenez et al. (2015) found that Total Quality Management 11 positively and strongly related to both exploitation and exploration and that the relationship between Total Quality Management and exploitation is higher. As a result of the analysis showed that only exploration capability positively affects organizational performance as concerning the effects of exploitation and exploration. It is also confirmed a positive effect of a Total Quality Management system in performance. Aziz (2015) found that TQM concept as a quality management philosophy for continuously improving overall

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organizational performance based on leadership, a vision and plan statement, customer focus, education and training, benchmarking, teamwork, a continuous improvement process, employee involvement, supplier quality management, and recognition and reward.

The Total Quality Management literature extensively supports the necessity of management commitment and leadership for successful Total Quality Management implementation, but there is little consensus at the leadership competencies that are necessary to implement the specific Tota 20 uality Management principles. The lack of information about linkages between 20 al Quality Management principles, and the lack of understanding about the role of leadership competencies for implementing Total Quality Management principles (Perles, 2002; Moussa, 2018). The key point of this study is quality management, and 3 ley are important for both practitioners and academics. The aims of this study are to investigate a relationship between organizational culture, Total Quality Management Implementation and company performance on Indonesian MSMEs. The result provides an important contribution in the better 2 nderstanding implementation of TQM. These help to build theories and models of total quality management practices in TQM.

### Literature Review

Total Quality Inagement theories had shown many perspectives about the organizations. In the field of Total Quality Management implementation, each researcher had developed their own Total Quality Management framework and constructs, measurements, and descriptions based on their segrific needs and interests. Saraph et al. (1989) stated and showed that positive effects on business performance after implementing Total Quality Management. Employee satisfaction, strategic business performance, product quality, and customer satisfaction comprised the business performator measurements. In another side, Parast et al. (2011) empirically investigated the effects of quality management practices on opergional and business performance. The researchers developed eleven quality management constructs, and the results indicated that top management support, employee training, and employee involvement significantly explain the variability of operational performance. Total Quality Management is a quality management philosophy for continuously improving overall organizational performance based on leadership, vision and plan statement, customer focus, education and training, benchmarking, teamwork, continuous improvement processes, employee involvement, supplier quality management, and recognition and reward (Aziz, 2015; Murshed, 2018). The more explanation can be included in some indicator as follows:

Leadership. Zhang et al. (2000) suggested that top-level management plays an important role in goal achievement by providing and using tools and materials to communicate values and systems. A lack of commitment from top-level

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management is one reason for failure in Total Quality Management implementation (Brown et al., 1994).

Vision and Plan Statement. Zhang et al. (2000) stated a vision and plan statement describes a company's positioning in its chosen domain. Based on that theory, a well-executed vision and plan statement is the single most important element for an organization implementing effective Total Quality Management. A vision that is articulated clearly to employees communicates their contribution and motivates staff to work hard to improve quality. This explained the company's standards, values, and beliefs and functions as an advertisement for intended changes directs the company into the future and acts as a buffer against complacency. Basically, top management creates a vision and all members of the organization understand it well.

Customer Focus, it focus has gained importance in recent times; "implementation" papers, which highlight that a general or shared model or scale to successfully implement total quality management (TQM) does not yet exist; and "impact-on-performance" papers, which show that few studies have considered the relationship between TQM and the issues of both marketing and performance, underlining the most significant gap in the TQM literature (Aquilani et al., 2017).

**Education and Trainin,** whereas the employee education and training in tools, concepts, and techniques related to quality are very important to be devoted to understanding the overall quality of employees. Thus, the process of activities can run better. The investment in education and training are crucial for Total Quality Management success (Zhang et al., 2000; Obodo, 2018).

**3** mpetitors in the same industry or in other industries that use similar processes. Bhutta and Huq (1999) reported that benchmarking can identife specific areas of weakness and find solutions to transform them into strengths. Improvements are continuous and benchmarks lose relevance quickly. Competitors' performance continues to increase. According to Smith et al. (1993), the benefits of benchmarking are the ability to measure organizational strengths and weaknesses, the ability to identify how products can better meet customer needs, elaborate innovative ideas and stimulate continuous process improvement.

**Teamwor**, establishing coordinated teamwork helps solve problems, creates empathy, manages change, implements plans, increases efficiency, preserves finances, stimulates innovation and morale, and generates a sense of involvement. Solutions created collectively are considered superior, more creative, and foster a greater commitment to the ultimate outcome (Morrow, 1997).

**Continuous Improvement,** according to Bhu 16 n and Baghel (2005) found the continuous improvement model reflect a culture of sustained improvement targeting the elimination of waste in all systems and processes of an organization.

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The model involves the collaboration of all to make improvements while not necessarily requiring substantial capital investment. The implementation of a continuous improvement mindset includes the evaluation of current practices. Commitment to improvement both in terms of quality and quantity is a relentless effort towards better product management, better internal processes, better working relationships with other teammates and departments, better customer service, and effective methods in achieving goals.

Employee Involvement, Zhang et al. (2000) assumed employees fully involved in the quality improvement process will acquire new knowledge, realize the benefits of better quality and obtain a sense of accomplishment. Employee involvement can enhance employee service capability with empowerment contributing to employee job satisfaction, job commitment, and pride in workmanship.

Supplier Quality Management, poor quality materials from suppliers increase costs and reduce the ultimate quality of the products (Das et al., 2008; Haseeb et al., 2019). The responsibility of supplier quality management has been pushed down to suppliers, holding them accountable for the quality of products. World-class organizations that implement Quality Management Systems (QMS) have been able to track and measure the costs of low-quality materials from suppliers. These QMS companies regularly invest in their suppliers' ability to reduce potential and poor quality costs.

### Methodology and Hypothesis

A survey instrument is his research was developed based on the previous research. The model was used to investigate a relationship between organizational (37) ure, Total Quality Management implementation and performance in M77 IEs. In this study, the organizational culture variables were based on the Organizational Culture Assessment Instrument (OCAI), as developed in Camegon and Quinn (2006) is used to measure organizational culture. While the Potential TOM implementation constructs were identified from the instruments by Aziz and Morita (2016). In this study, participants were skpressing their opinion. Their agreement or disagreement measured by using a Seven-Point Likert scale, namely: (1) Strongly Disagree, (2) Disagree, (3) Somewhat Disagree, (4) Neutral, (5) Somewhat Agree, (6) Agree, (7) Strongly Agree. This study had degaloped three hypotheses. The first and second hypotheses talked about the four dimensions of organizational culture (clan culture, adhocracy culture, hierarchy culture, and market culture) affects Total Quality Management. The last hypotheses examined the Organizational performance to Total Quality Management. There are ten indicators in TOM. They are Leadership, Vision and Plan Statement, Customer Focus, Education and Training, Benchmarking, Teamwork, Continuous improvement process, Employee Involvement, Supplier Quality Management, Recognition and Reward.

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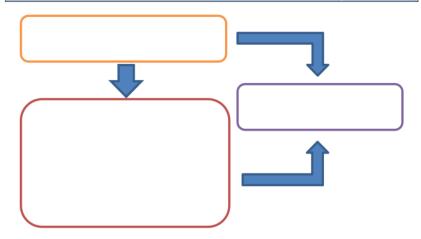


Figure 1. Research Framework (Cameron and Quinn, 2006; authors, 2016)

10 clarify the study, it was declared into three hypotheses. The first, the relationship between organizational 11 ture and Total Quality Management 12 plementation in Indonesia MSMEs. Based on the study by Sinha et al. (2016), a culture influenced TQM model has been developed. The model 7 monstrates a linkage between cultural dimensions and TQM 11 rventions have a significant and positive impact on TQM implementation. The positive direct effects of culture and TQM on performance and also the positive indirect effect of culture through its positive effect on TQM. By analysing the culture profile, development degrees of TQM categories and performance indicators, some appropriate theories of effectiveness and quality strategies are suggested (Valmohammadi and Roshanzamir, 2015).

Hypothesis H1: Organisational culture significantly affects TQM implementation. Organizational culture represents four factors such as clan culture (OC1), adhocracy culture (OC2), hierarchy culture (OC3), and market culture (OC4).

Furthermore, this second hypothesis discusses the relationship between organizational dimensions, namely clan culture, adhocracy culture, hierarchical culture, and market culture with organizational performand variables, financial and non-financial. Naranjo-Valencia et al. (2016) showed that culture can foster innovation, as well as company performance, or it could also be an obstacle for both of the allocation, depending on the values promoted by the culture. Specifically, it explained that an adjocracy culture is the best innovation and performance predictor. Moreover, it can be concluded that innovation mediates the relationship between certain types of organizational cultures and performance. Haffar et al. (2013) added that the culture of adhocracy and clans became the most supportive culture for the application of TQM practices.

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**Hypothesis H2**: Organizational culture significantly affects organisational performance. The performance represents two factors such as financial performance (OP1), and nonfinancial performance (OP2).

Moreover, Psomas and Jaca (2016) found the findings that the factors describing implementation in service companies' concern quality practices of top management, employee quality management, process management, employee knowledge and education and customer focus. Similarly, the 12 rformance dimensions revealed concern financial performance, operational performance, customer satisfaction and product/service quality performance.

The TQM factors concerning customers, employees and top management significantly affect the performance dimensions. It was added by Mehalian et al. (2017). There were two significant influences as the stated that the first, TQM positively and significantly influences balanced scorecard. Second, there is a positive and significant relationship between TQM and the four perspectives of the balanced scorecard, including financial perspective, customer perspective, internal process perspective and learning and growth perspective. It was concluded into Hypothesis H3.

Hypothesis H3: TQM implementation significantly affects organizational performance. TQM Implementation represents ten factors such as Leadership (TQM1), Vision and Plan Statement (TQM2), Customer Focus (TQM3), Education and Training (TQM4), Benchmarking (TQM5), Teamwork (TQM6), Continuous improvement process (TQM7), Employee Involvement (TQM8), Supplier Quality Management (TQM9), Recognition and Reward (TQM10).

The population of this study was the companies in Lampung and Surabaya province in Indonesia that had implemented quality management or Total Quality Management. The company information was obtained from the Indonesian Statistics Bureau. Lampung and Surabaya province had several small and medium companies. In distributing the questionnaires, managers were interviewed using the telephone. In addition to those perceptual measures, the researchers asked a yes-no question in the questionnaire to the respondents when the company had implemented a TQM or quality management.

The respondents have some knowledge of the implementation of quality management. The type of sample and the number of companies were determined on the basis of information required in this study. The researchers visited each company and checked the progress of each company. A sample of companies was randomly selected from the database in 2016. A total of 147 questionnaires from a senior executive, general manager, quality manager, managerial level and ordinary employees in these firms. The breakdown of the respondents' profiles was shown in Table 1.

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**Table 1. Profiles of the respondents by job position and industry** (the Indonesian Statistics Bureau, 2016; authors, 2016)

Statistics Bureau, 2010, authors, 2010)					
Job position	Frequency	Percentage (%)			
CEO/GM/Director	78	53.1			
Quality Manager	5	3.4			
Engineering Manager	2	1.4			
Production Manager	3	2.0			
HRD Manager	23	15.6			
Supervisor	23	15.6			
Others	13	8.8			
Industry	Frequency	Percentage (%)			
Food Industry	45	30.6			
Clothing, garment and leather industry	13	8.8			
Furniture and wood Industry	1	0.7			
Media Industry	23	15.6			
Chemical and Petrochemical	1	0.7			
Mining	5	3.4			
Agribusiness Industry	59	40.1			
Others	45	30.6			

### **Result and Discussion**

The multiple regression analysis used four factors of organisational culture as independent variables, Total Quality Management constructs and two factors of organisational performance as dependent variables, as shown in Table 2. The organisational culture significantly affected Total Quality Management, confirming hypothesis H1. Clan and adhocracy cultures had a significant positive effect on Total Quality Management. For Typothesis H2, only one factor of organisational culture (Hierarchy culture) had a positive and significant effect on financial and non-financial performance.

Organisational culture was an important aspect of Total Quality Management implementation. The clan culture emphasized commitment, communication, employee involvement, teamwork, and development was focussed on flexibility and discretion with internal strengthening. While the adhocracy culture emphasizes creativity, flexibility, innovativeness, and adaptability, both culture's dimensions suggested a conducive environment for the effective implementation of Total Quality Management. This result was consistent with previous studies (Al-Khalifa and Aspinwall, 2000; Sadeghian, 2010).

The multiple regression analysis in Table 2 showed that Total Quality Management implementation had a 3 nificant effect on organisational performance, confirming hypothesis H3. Five constructs of Total Quality Management implementation (leadership, education and training, teamwork, supplier quality management and recognition and reward) had significant positive effects on financial performance while benchmarking had a significant negative effect. The analysis showed that the

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five constructs of Total Quality Management implementation (leadership, teamwork, continuous improvement process, supplier quality management, and recognition and reward) had significant positive effects on non-financial performance while benchmarking and vision and plan statements had significant negative effects.

Table 2. Regression analysis between organisational culture, TQM,

and performance (authors, 2016)

	TQM			Financial			Non-financial		
Predictors (Organisational Culture)	R = 0.681 F-value = 20.470 Sig 36 cance = 0.000			R = 0.424 F-value = 5.206 Significance = 0.001			R = 0.500 F-value = 7.924 Significance = 0.000		
	В	T	Sig.	В	T	Sig.	β	t	Sig.
Clan	0.282	2.686	0.008**	061	411	.682	073	332	.741
Adhocracy	0.379	2.735	$0.007^{**}$	.136	.718	.474	.377	1.356	.178
Hierarchy	0.044	0.374	0.709	.307	2.098	.039	.457	2.121	.037
Market	0.122	0.928	0.355	005	269	.788	020	676	.500
<b>Note</b> : ${}^{*}t \ge t_{(0.05)} = 1.657$ ; ${}^{**}t \ge t_{(0.01)} = 2.356$									

These results were consistent with those of the previous studies (Salaheldin, 2009; Samson and Terziovski, 1999). Thus, leadership correlated with financial and non-financial performance. Leadership is able to be impactful in a variety of ways. For Indonesian companies, leaders and education and training were able to improve employee skills and achieve organisational goals. They were able to develop teamwork to manage change, implement plans, solve the blems, and create a sense of empathy and engagement. Teamwork was able to improve the quality of products and services, lower rates of failure and defective products, and fundamental to successful TQM implementation. Additionally, the companies required continuous process improvement to increase productivity, reduce failure rates, improve process efficiency, and stimulate innovation. This was also essential for supplier ality management to improve product quality and organizational performance. A continuous supply of raw materials with the required quality was vital in all stages of manufactuang. Long-term relationships with inspection teams were able to help minimize the cost of raw materials (Juran and Gryna, 1993).

Furthermore, Table 3 showed that benchmarking and vision and plan statements had significant negative effects on organisational performance. It was one way to improve product quality, reduce production cost and increase sales. In addition, vision and plan statements results revealed that there was no clear long-term vision towards improving organizational performance. Whereas Zhang (2000) proposed a vision, and plan statements provided a clear overview of strategies for an organisation to achieve its goals. Vision provided direction and the path for transformation.

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Table 3. Regression analysis between TQM constructs and performance (authors, 2016)

	Financial			Non-financial			
Predictors (TQM Constructs)	R = 0.876			R = 0.902			
	F-value = 39.062			F-value = 51.282			
	Significance $= 0.000$						
	В	T	Sig.	В	T	Sig.	
Leadership	0.196	2.143	0.034*	0.310	3.769	0.000.0	
Vision and Plan Statement	0.130	1.513	0.133	-0.150	-1.952	$0.053^{*}$	
Customer Focus	-0.025	-0.361	0.719	-0.072	-1.134	0.259	
Education and Training	0.271	2.842	0.005**	0.122	1.429	0.156	
Benchmarking	-0.565	-5.277	0.000**	-0.432	-4.496	0.000**	
Teamwork	0.253	3.396	0.001**	0.396	5.909	**000.0	
Continuous Improvement Process	0.086	1.010	0.314	0.224	2.921	0.004**	
Employee Involvement	-0.040	-0.394	0.694	-0.014	-0.152	0.880	
Supplier Quality Management	0.258	3.713	0.000**	0.147	2.357	0.020**	
Recognition and Reward	0.337	4.268	0.000**	0.413	5.817	**000.0	
<b>Note</b> : ${}^{*}t \ge t_{(0.05)} = 1.657$ ; ${}^{**}t \ge t_{(0.01)} = 2.356$							

On the other hand, Table 3 showed that employee involvement did not have a significant effect on organisational performance. Indonesian companies did not have employees who were thoroughly engaged in performance improvement. The aim of employee involvement was to encourage them to contribute more to the firm. However, unfortunately, some companies only viewed the employees as one of the company's resources. Thus, managers should trust and care for their employees, and encourage and motivate them to develop and utilize their full potential.

Based on the first and second hypotheses, the four dimensions of organizational culture (clan culture, adhocracy culture, cultural hierarchy, and market culture) have influenced Total Quality 10 anagement. In the last hypothesis was Organizational performance affects Total Quality Management.

More specifically, organizational culture significantly influences Total Quality Management, confirming the H1 hypothesis. Clan culture and adhocracy had a significant positive influence on Total Quality Management. For the H2 hypothesis, only one factor was organizational culture (hierarchical culture) which had a positive and significant influence on financial and non-financial performance.

The results in 14 e 3 showed that the implementation of Total Quality Management had a significant effect on organizational performance in confirming the H3 hypothesis. Leadership, education and training, teamwork, supplier quality management and recognition and rewards had 14 ignificant positive effect on financial performance while benchmarking had a significant negative effect on Total Quality Management implementation. This analysis had a significant positive

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effect on non-financial performance benchmarks and the vision statement and plan have significant negative effects. Specific hypotheses testing MSMEs based on result above showed a number of relationships between the variables were able to be described as follows:

The results of this study indicated that organisational culture had an effect on Total Quality Management and of 35 hisational performance. Additionally, Total Quality Management constructs had a positive impact on organisational performance.

This study addressed the issue of culture and its relationship with the implementation of Total Quality Management. Despite our findings, and there were opportunities for further research. First, the instruments in this study were able to be used for larger sample sizes that have more mixed demographics. Second, the data collected in this study was subjective and dependent on the perceptions of the respondents. For further research, the researcher expected to include observations using a longitudinal case study. Third, further research was able to consider financial statements and other performance measured as indicators of company performance.

### Conclusion

The paper found the correlation and effect between the implementation of total first-rate management and organizational tradition on organizational performance in Indonesia, to provide realistic understanding for Indonesian practitioners, and to apprehend the eminence of the implementation of overall nice control and organizational lifestyle on MSMEs' performance. Overall satisfactory control constructs engaged a wonderful function in improving organizational performance. These constructs are crucial to enhancing organizational overall performance. The Management, training and schooling, teamwork, non-stop improvement manner, provider first-class management, and recognition and rewards are the necessities of total quality management construct. There are some opportunities for further research. They are the mixed demographics, subjective and dependent data on the perceptions of the respondents for collecting the data, and the financial as indicator perhaps should be the consideration point for the further research. Moreover, the Total Quality Management implementation has an issue for culture and its relationship in this paper.

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### TOTAL QUALITY MANAGEMENTMIKRO, MAŁYCH I ŚREDNICH PRZEDSIĘBIORSTW (MOM) I WPŁYW NA KULTURĘ ORGANIZACYJNĄ I WYDAJNOŚĆ: PRZYPADEK KRAJU WSCHODZĄCEGO

Streszczenie: Celem artykułu jest określenie korelacji i wpływu pomiędzy wdrożeniem Total Quality Management (TQM) i kulturą organizacyjną na wydajność organizacyjną MSME w Indonezji. Technika opisowej analizy danych została przeprowadzona przy wykorzystaniu wielokrotnej regresji liniowej. W metodzie badawczej wykorzystano model do zbadania związku między kulturą organizacyjną, wdrożeniem Total Quality Management i wydajnością na MSME w Lampung i Surabaya. Dane MSME otrzymano od indonezyjskiego biura statystycznego. W artykule stwierdzono, że korelacja i wpływ pomiędzy wdrożeniem Total Quality Management i kultury organizacyjnej na wyniki organizacyjne w Indonezji, zapewniają praktyczną wiedzę dla indonezyjskich praktyków, a także pozwalają na zrozumienie znaczenia wdrożenia Total Quality Management i kultury organizacyjnej na wydajność MSME. Konstrukcje Total Quality Management zaangażowały się pozytywnie w poprawę wydajności organizacji.

Słowa kluczowe: wydajność organizacyjna, TQM, kultura organizacyjna, MMŚP

# 微型,小型和中型企业(MSMES)的总体质量管理,以及对组织文化和绩效的影响:新兴国家的案例

**滴要:**本文的目的是确定全面质量管理(TOM)的实施与组织文化对印度尼西亚MSME 组织绩效的相关性和影响。数据分析技术通过多元线性回归描述性地进行。该研究方法使用该模型来研究组织文化,全面质量管理实施与楠榜和泗水MSME的绩效之间的关系。微型和中小型企业的数据来自印度尼西亚统计局。本文发现全面质量管理和组织文化的实施对印度尼西亚组织绩效的相关性和影响,为印度尼西亚从业者提供实用知识,并了解全面质量管理和组织文化在微小中型企业实施的重要性。性能。全面质量管理构建在提高组织绩效方面发挥了积极作用。

**关键词:**组织绩效,TOM,组织文化,MSME。

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