



THE INFLUENCE OF ORGANIZATIONAL CULTURE ON ORGANIZATIONAL PERFORMANCE THROUGH INTEGRATED QUALITY MANAGEMENT IN CULINARY MSMEs

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ABSTRACT

KEYWORDS

Organizational culture;
total quality management;
organizational performance

The purpose of this thesis is to advance knowledge about Organizational Culture on Organizational Performance Through Total Quality Management in Culinary MSMEs in Ambon City measured using a Likert scale. A total of 50 respondents were involved in this study using a purposive sampling technique. Respondents were selected based on the criteria, namely, the owners of culinary SMEs in the city of Ambon. To test the hypothesis proposed empirically, a hierarchical regression analysis was conducted as a method for analyzing data using XLSTAT PLS PM 2014 software. The results showed that organizational culture had a positive relationship with organizational performance, organizational culture had a positive relationship with total quality management.

INTRODUCTION

The development of the number of Micro, Small and Medium Enterprises (MSMEs) is increasing over time. This indicates that the efforts of the community continue to increase, so that this growing growth deserves serious attention from various parties, especially from the government, to maintain the existence of these MSMEs. It is undeniable that MSMEs have an important role in supporting the nation's economy.

As in Indonesia, business development is currently very rapid, many businesses have sprung up, ranging from small businesses to global businesses. Businesses in Indonesia have started to be attracted by the global market, namely foreign investors. Foreign investors are competing to invest in Indonesia, and this means that Indonesia is starting to be trusted to cooperate with each other in today's business world.

The characteristics of the existence of MSMEs are considered important, because of their potential to increase employment growth, generate income, and reduce poverty (Sedyastuti, 2018). MSMEs have an important and strategic role in creating economic growth. However, in reality there are still many problems faced by MSME actors in operational activities and performance development, such as a lack of capital both in quantity and in terms of resources, low quality of technology, inadequate managerial capabilities and skills in operating a business, low productivity, regulatory burdens in the globalization era, as well as a technology-driven environment (Marini et al., 2021). In addition, the quality of products from developing countries is less good than imported products. This is a problem for domestic producers to compete with foreign products, so that it becomes a challenge for MSME players to determine

an appropriate strategy so that the products produced have competitiveness and competitive advantage to improve organizational performance.

Organizational performance can be increased by having a positive organizational culture that supports changes in improving company performance. According to Mangkunegara (2011) that performance is a result in quality and quantity that can be achieved by someone in the tasks and responsibilities given to him. Organizational culture arises because of the values, norms, habits that are applied by the organization, whether written or not. Organizational culture can also be created with activities that are repeated in the organization. Organizational culture is a key factor that can help companies achieve their planned goals (Suryadi, 2010).

Organizational culture provides identity and can also maintain the main character of the organization, so that the organization has more value than other organizations. This is very important where the culinary business has its own characteristics, so that the company can compete with the same culinary business competitors. The application of organizational culture makes workers have to behave according to the agreed organizational culture. This makes the competence of workers indirectly increase for the type of work they are doing. Employees who participate in imbuing the values and implementing organizational culture can foster a strong organizational culture. This encourages the creation of quality culinary MSME human resources as evidenced by improving the performance of culinary MSME.

Organizational performance can also be improved by implementing Integrated Quality Management (MMT) practices, namely a management system that focuses on customers by involving all levels of employees in making continuous improvements (Hasnadi, 2021). Most researchers regard MMT as an approach to increase business efficiency, flexibility, and competitiveness in meeting customer needs in order to provide operational and financial benefits to organizations and increase competitive advantage. MMT has an impact on improving products/services, creating customer and employee satisfaction, as well as improving financial performance, competitiveness and productivity through cost reduction.

Mastuti (2020), shows that the implementation of MMT can improve organizational performance. The more effective the implementation of MMT, the maximum organizational performance can be achieved. On the other hand, Kober et al. (2012), states that there is no evidence that MMT has a relationship with financial performance, due to the lack of commitment of business actors to carry out MMT implementation in the face of external pressure. With the application of MMT, the organization will focus more on quality as a guideline and benchmark for improving performance.

This study aims to analyze the effect of organizational culture on organizational performance through integrated quality management in culinary SMEs in Ambon City.

Relationship between Organizational Culture and Organizational Performance

Organizational culture can be interpreted as an atmosphere or working environment that can be felt directly by all components in the work environment which affect psychologically on behavior and performance implementation so that it influences the achievement of organizational goals. In this case, a conducive organizational culture can increase morale and performance effectiveness. Conversely a less or unpleasant organizational culture will have a negative effect on achievement and performance effectiveness (Ikm et al., 2019) in a study on the cultural effect of performance quality with the implementation of the quality function as a

mediator with metal industry SMIs in Java Center, it shows that organizational culture positively influences organizational performance

In addition, another study conducted by (Organization & Competency, 2020) on the influence of organizational culture on performance. Implementation of employees (PT Inalum Kuala Tanjung), this shows that organizational culture has a positive impact on performance. Therefore, the following assumptions are implemented:

Hypothesis 1: Organizational Culture has a positive effect on Organizational Performance

Relationship between Organizational Culture and Integrated Quality Management

In the analysis of the influence between organizational culture and total quality management is problematic with the debate as to whether there is a difference between organizational culture and total quality management. Although organizational culture and total quality management are closely related, the two are actually different. Schein (1985) and Powell (1995) both support the distinction between organizational culture and total quality management, suggesting that while practices such as total quality management may reflect the culture within an organization, organizational culture itself is more deeply embedded in the organization reflecting patterns and stable beliefs and values developed within a company (or business unit) over time. culture which separately affects the level of implementation of TQM practices. In research conducted by (Dimitrantzou et al., 2021) determined that an organization dominated by a clan or ad hoc culture could provide an enabling environment for successful implementation of MMT, so that organizational culture positively influences integrated quality management.

In addition, another study conducted by (Wahyuni, 2020), many companies have understood the importance of defining their organizational culture before applying sequential MMT to disclose the unique components of the organization's culture that support or prevent cultural change. Next research from (Rinda et al., n.d.) related to the effective implementation of organizational culture and integrated quality management carried out in (Empirical Studies on Private Companies and BUMN Branches of Bengkulu City). shows that organizational culture has a positive effect on integrated quality management. Based on the research results, the following hypotheses have been proposed:

Hypothesis 2: Organizational culture has a positive effect on Integrated Quality Management

The relationship between Integrated Quality Management and organizational performance

Organizational management must have quality standards for the effectiveness of the performance of its employees, so that there are clear references for employees and do not cause doubts in carrying out the tasks that have been determined. The quality standards that are applied should not be left static, but must be made dynamic, in the sense that they are always being improved and evaluated. In other words, an organization that wants to be successful must have an organizational system that is oriented towards integrated quality management and implemented in an integrated manner. In this context, management must continuously emphasize its members to make improvements to the quality of the products or services produced. The existence of a management system that is oriented towards integrated quality management will encourage every member of the organization to improve its quality so that it can meet the performance standards set by the organization. Performance experiments

regarding the relationship between total quality management and organizational performance have shown that integrated quality management has a positive impact on organizational implementation (Banten & Banten, 2021) with research related to the effectiveness of integrated quality management (MMT) regarding moderate quality cost performance of companies in society, although most of the studies claim positive results

In addition, there is also research from (Baloch, 2020) analysis of the effect of implementing total quality management on operational performance at pt. So good food and research from (Sharly, 2020) showed that MMT has a positive effect on organizational performance. Based on the results of most of the studies, the following hypotheses have been proposed:

Hypothesis 3: Integrated Quality Management has a positive effect on organizational performance

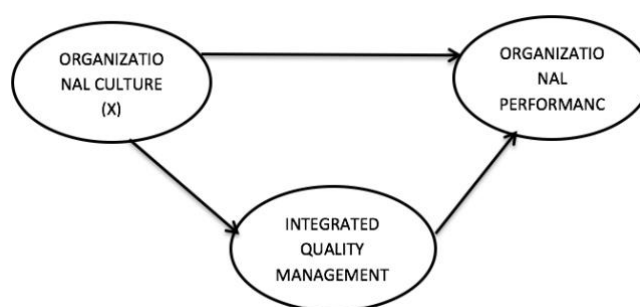


Figure 1. Research Model

METHOD RESEARCH

Population

According to (Zainuddin Latuconsina, 2022), the population is a combination of all elements in the form of events, things or people who have similar characteristics and are the center of attention of a researcher because they are seen as a research universe. The population used in this study is the culinary MSME population in Ambon City.

Sample

The sample includes the quantity and characteristics possessed by a population. The sampling technique in this study is technique purposive sampling. Purposive sampling is a sampling technique based on certain criteria. That way, the results will be representative. The sample used in this study includes culinary MSMEs in Ambon City. With the number of respondents in this study no less than 50 respondents, namely culinary owners of small and medium businesses in Ambon city.

Analysis Method

Partial Least Square (PLS) was first developed in the economic sector in the 1960s by Herman OA Wold in (Martadisastra, 2017). PLS is a powerful analytical model because it can be used for all types of data scales (nominal, ordinal, interval, and scale) and for more flexible assumptions. PLS can also be considered as a PLS method of modeling structural equations. In the PLS community, the term "path modeling" is preferred for structural equation modeling. However, both terms can be found in the PLS literature.

PLS does not assume that data must follow a certain distribution, such as a normal distribution. The PLS method is not distributed and the sample size is flexible. PLS can also

be used when a theoretical basis of the model is desired or when the measurement of any potential structure is new (Yamin, S. & Kurniawan, 2011). Variant-based PLS is designed for prediction purposes. This is the original concept on which the researcher must base it. The main goal of PLS is to maximize identifying structures that maximize the predictive power of the model.

Waters (2009) states that Partial Least Square (PLS) can also be used for validation (e.g. hypothesis testing) and discovery or exploratory purposes. Its main purpose is to explain the relationship between constructs and emphasize understanding of the value of the relationship.

RESULT AND DISCUSSION

Data Quality Test Results

The data quality test includes validity and reliability tests. The measurement model (outer) that uses convergent validity is the method used to test validity. Convergent validity in the measurement model with the reflexivity of the indicators looks at the extent to which each indicator score correlates with the score on the construct (Ghozali, 2006). If the correlation value is more than 0.70, then the individual reflexive measure can be said to be high with the construct to be measured, however (Chin, 1998) explained that a measurement scale of 0.5 to 0.6 was considered sufficient for research at an early stage. The next data quality test is the reliability test by measuring the composite reliability value which is calculated with PLS in each construct. If the composite reliability value $> 0,70$ then the value of the construct in question is said to be reliable (Wertset *al.* 1974) in (Imam, 2006).

Table 1. Reliability Test Results

Latent variables	Cronbach's alpha	Composite Reliability	Information
Organizational culture Integrated Quality Management	0.8461	0.8967	Reliable
Organizational Performance	0.7158	0.8252	Reliable
	0.7543	0.8607	Reliable

Source: Primary data processed using XLSTAT 2014, 2022.

The composite reliability measurement results. The value of composite reliability on the organizational culture construct is equal to 0.8967 where this value is greater than the standard value requested, namely $> 0,7$, so that the organizational culture construct has a reliable composite reliability value. Furthermore, the integrated quality management construct is recorded with a composite reliability value 0.8252 where the value is greater than the standard value requested, namely $> 0,7$, so that the integrated quality management construct has a reliable composite reliability value. While the organizational performance construct has a composite reliability value of 0.8607 where this value is greater than the standard value requested, namely $> 0,7$, so that the organizational performance construct has a reliable composite reliability value.

Table 2. Convergent Validity Results

	Organizational culture	Integrated Quality Management	Organizational Performance
BO1	0.7921	0.3327	0.5506
BO2	0.7698	0.4067	0.5327
BO3	0.8634	0.4672	0.8840
BO4	0.8743	0.2907	0.8026
MMT1	0.2251	0.6310	0.2581
MMT2	0.1083	0.6146	0.1206
MMT3	0.3707	0.7007	0.3319
MMT4	0.4148	0.8374	0.7428
KO1	0.8399	0.4260	0.8818
KO2	0.8697	0.3340	0.8320
KO3	0.4148	0.8374	0.7428

Source: Primary data processed using XLSTAT 2014, 2022.

Cross loading test results. The indicators used in measuring organizational culture constructs have correlations above 0.7 and 0.8 exceeding the requested standard of 0.5. The correlation between organizational culture and the construct is greater than the correlation value on indicators from other constructs. This shows that questions on organizational culture indicators are said to be valid and have good cross loading values.

The indicators used in measuring the interaction construct of integrated quality management have a correlation above 0.6 and 0.8, exceeding the requested standard of 0.5. The correlation of integrated quality management interaction with the construct is greater than the correlation value on indicators from other constructs. This shows that questions on integrated quality management indicators are said to be valid and have good cross loading values.

The indicators used in measuring organizational performance constructs have correlations above 0.7 and 0.8 exceeding the requested standard of 0.5. The correlation between organizational performance and the construct is greater than the correlation value on indicators from other constructs. This shows that questions on organizational performance indicators are said to be valid and have a good cross loading value.

Table 3. Discriminant Validity Results

	Organizational culture	Integrated Quality Management	Organizational Performance	Mean Communalities (AVE)
Organizational culture	1	0.2101	0.4443	0.6825
Integrated Quality Management	0.2101	1	0.4263	0.5921
Organizational Performance	0.4443	0.4263	1	0.6738
Mean Communalities (AVE)	0.6825	0.4921	0.6738	0

Source: Primary data processed using XLSTAT 2014, 2022.

From the presentation of the calculations in table 3, the AVE value is in the construct organizational culture on 0.6825 and also the integrated quality management construct above shows 0.5921, while for the construct organizational performance is 0.6738. These results indicate that the construct organizational culture, the integrated quality management construct

and the organizational performance construct in this study showed good results of discriminant validity by meeting the required standards, namely (0.5).

Table 4. R Square Value (R2) (Integrated Quality Management)

R ²	F	Pr > F	Critical Ratio (CR)
0.2101	12.7674	0.0008	2.2719

Source: Primary data processed using XLSTAT 2014, 2022.

Table 4 presents the results of calculating R2 on the integrated quality management construct with a value of 0.21. The table above shows the values R2 integrated quality management construct is equal to 0.2101. The higher the value R2, the greater the independent construct can explain the dependent construct, the better the structural model. Exposure (Chin, 1998) R-square value is divided into three assessments, R-square is considered strong if it has a value of 0.67, moderate, of 0.33 and weak, of 0.19. The high or low value of R2 affects the high or low of the independent construct and can have an influence on the dependent construct. In this case, the integrated quality management construct has a value above 0.19 and below 0.33 and it can be said that the influence of the independent construct is weak.

Table 5. R Square Value (R2) (Organizational Performance)

R ²	F	Pr > F	Critical Ratio (CR)
0.8283	113.3318	0.0000	19.5624

Source: Primary data processed using XLSTAT 2014, 2022.

Table 5 presents the results of calculating R2 on the organizational performance construct (the dependent variable) with a value of 0.82. The table above shows the values R2 organizational performance construct is equal to 0.8283. The higher the value R2, the greater the independent construct can explain the dependent construct, the better the structural model. Exposure (Chin, 1998) R-square value is divided into three assessments, R-square is considered strong if it has a value of 0.67, moderate, of 0.33 and weak, of 0.19. The high or low value of R2 affects the high or low of the independent construct and can have an influence on the dependent construct. In this case, the organizational performance construct has a value above 0.67 and it can be said that the influence of the independent construct is strong.

Hypothesis 1

Table 6 gives us an illustration that there is a positive relationship between organizational culture constructs and organizational performance (0.7134) and significant at (0.0000) and t-table values > t-count (10.4882 > 1.658). Hypothesis one (H1) organizational culture is positively related to organizational performance is accepted.

Table (6). Results of Inner Weights (Organizational Performance)

Latent variables	Value	Standard error	t	Pr > t	Critical ratio (CR)	hypothesis
Organizational culture	0.7134	0.0680	10.4882	0.0000	15.3026	Accepted

Source: Primary data processed using XLSTAT 2014, 2022.

Hypothesis 2

Table 7 gives us an illustration that there is a positive relationship between the organizational culture construct and integrated quality management (0.4584) and significant at (0.0008) and t-table values > t-count (3.5731 > 1.658). Hypothesis two (H2) organizational culture has a positive relationship with Integrated Quality Management is accepted.

Table 7. Results of Inner Weights (Integrated Quality Management)

Latent variables	Value	Standar d error	Q	Pr > t	Critical ratio (CR)	hypothesis
Organizational culture	0.4584	0.1283	3.5731	0.0008	5.0255	Accepted

Source: Primary data processed using XLSTAT 2014, 2022.

Hypothesis 3

Table 8 gives us an illustration that there is a positive relationship between the integrated quality management construct and organizational performance (0.3259) and significant at (0.0000) and t-table values > t-count (4.7921 > 1.658). Hypothesis three (H3) Integrated Quality Management is positively related to organizational performance is accepted.

Table 8. Results of Inner Weights (Organizational Performance)

Latent variables	Value	Standar d error	Q	Pr > t	Critical ratio (CR)	hypothesis
Integrated Quality Management	0.3259	0.0680	4.7921	0.0000	4.3628	Accepted

Source: Primary data processed using XLSTAT 2014, 2022.

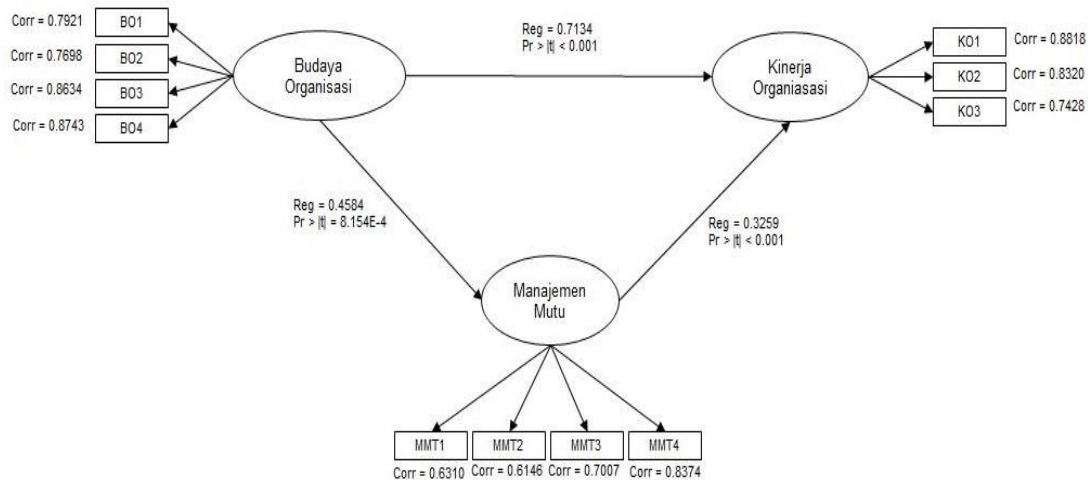


Figure 2. Full Model

CONCLUSION

In this study describes a model that examines the role of organizational culture on organizational performance through integrated quality management. The use of partial least squares (PLS) in testing structural equation modeling (SEM) in this study concludes that: (1) organizational culture has a positive relationship with organizational performance in SMEs in Ambon city. This is in line with research (Duka et al., 2020), and (2) organizational culture has a positive relationship with integrated quality management in SMEs in Ambon city. This is in line with research (Rinda et al., n.d.). Integrated quality management has a positive relationship with organizational performance in SMEs in Ambon city. This is in line with research (Sharly, 2020)

From the explanation of some of the limitations above, the researcher would like to provide the following suggestions; (1) it is better for researchers to conduct field observations first by checking one by one the MSMEs that they want to be interviewed or those who want to be asked to find out the right time to conduct interviews so that MSME owners are not disturbed by our presence, and (2) the use of easy-to-understand sentences in the questionnaire is very important, because different cultural and geographical differences also affect comprehension and have different results, even though the questionnaire items submitted are the same as before.

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First publication right:

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