

CHAPTER I

INTRODUCTION

1.1 Background of the Research

The development of business industry in Indonesia today has progressed very rapidly, based on Ministry of National Development Planning Republic of Indonesia / National Development Planning Agency (Bappenas, 2019), Indonesia's economy in the first quarter of 2019 grew by 5.07 percent (YoY), slightly higher than the first quarter of 2018. This growth was the highest in the last five years, indicating a strengthening of the domestic economy. This economic uplift also has an impact on increasing business competitiveness in Indonesia. Porter (1990) defines competitiveness as economic prosperity, which highly dependent on the productivity of the population of a nation. The higher the economic competitiveness of a country, the higher the prosperity of the country's population. Likewise, the higher the competitiveness of a company, the higher the performance of the company concerned (Sugiyanto, 2004).

A good company performance also depends on the human resources. In one organization, it is critical to realize how its employees perform because personnel represents the organization's image to the public. Human resources has an important role within an organization and a very determinant for the effectiveness of the activities in the organization. That makes an organization required to improve their quality of existing human resources.

The organization itself is a place where people gather, work together rationally and systematically, in utilizing organizational resources efficiently and effectively in achieving the goals that have been aimed. The directed collaboration is carried out by following the pattern of interaction between each individual or group in interacting inside and outside the organization. Interaction pattern is harmonized with various rules, norms, beliefs, certain

values as determined by the organization. The interaction pattern within a certain time will form a shared habit or form an organizational culture that always controls the members inside the organization, thus a strong organizational culture is a shaper of high organizational performance (Schein, 2004).

Organizational culture becomes one of the important instruments of an organization so that organizational goals can be achieved according to expectations. With a broad culture there is a strong influence on the structure and function of the organization. Every organization has a different organizational culture even though they perform the same function. While every individual in the organization is inseparable from the nature of cultural values, which will ultimately synergize with the organizational tools, technology, systems, strategies and lifestyle of the organization so that human resources in the organization must be balanced and harmonized so that organizations can continue to exist.

Littlejohn & Foss (2005) said that organizational culture is something that results from daily interactions in organizations. When people interact for some time, they form a culture. Each culture develops rules and norms that affect the members of that culture. But people are not only influenced by that culture; they create culture. It can be understood that there are complex processes in the interaction of members of the organization that shape organizational culture. According to Wheelen and Hunger (1996) organizational culture is hopes, a set of beliefs and values shared by company members and passed down from one generation to the next.

Indonesia as a country that is developing to be an industrial country needs to build a modern quality system and integrated quality management practices in many life aspects as a key to win competition in global market. In the era of technology like today, every businesses and organizations are affected by globalization. Not only large and multinational companies, but small medium enterprises also face this global competition. The emergence of global economic

development also pushes businesses to innovate their ways in running business. They need to be strong enough to survive in the competition because if they are weak, their sustainability is threatened. One of the best ways to stand out in global competition is to concern about quality and to have a good competitive advantage.

According to Dale (2003), with the condition of economic competition like nowadays, companies are required to use a management system that is allowed to be used as a tool to improve company performance through the performance of the employees. Total Quality Management (TQM) is one of the tools of quality management. TQM is intended to make improvements in all areas of work with the orientation on customer satisfaction.

TQM is an approach in running a business that attempts maximize the competitiveness of an organization through continuous improvement of services and products, human resources, driven by both external and internal strengths of the organization (Tjiptono and Diana, 2003). TQM is a process oriented that integrates all human resources, customers, and suppliers in the corporate environment.

A success TQM implementation is closely related to the organizational culture. The culture of the organization determining the direction of the organization of what can and cannot be done, how to process and allocate organizational resources to deal with internal and external problems.

Through the compatibility between organizational culture and organizational goals, customer satisfaction can be achieved. In order to achieve the organizational culture needed and a good TQM application within a company, everybody in the company needs to have a strong commitment.

Employees with high commitments will perform better, have greater contributions to the organization. A leader or manager wants all members to have a strong commitment to their

company. Organizational leaders have sought to increase the commitment of their employees therefore employees have a sense of ownership of the company. When this factor has been formed, employees will feel involved and all their ideas will be considered, a feeling will emerge that they are contributing to the achievement of results. Coupled with the belief that the results obtained by the organization will return to their welfare as well.

Many companies experience problems in developing TQM. From several problems it was identified that changes in organizational culture are the main barriers to the implementation of TQM, including weak cooperation relations at the functional level. Pradiansyah (1998) argued that the successful implementation of TQM will highly depend on the organizational culture that gives rise to the commitment of people in an organization. For this reason, it can be expected that the application of TQM will experience problems if it is not supported by the commitment of all members of the organization to change.

PT Asal Seiya Sekata (Asese) is a company that has been upholding the quality they can offer to customers. The company originating from Padang, West Sumatra has been established since 2003. In addition to acting as a souvenir shop selling souvenirs of West Sumatra, Asese first had the concept to sell rendang in practical packaging that could increase the durability of the product. Rendang which used to be known as a delicious food that is difficult and troublesome to cook so that many people are reluctant to make it, is the main motivation of Asese. Asese aims to make this traditional food to be super practical and instant food, so that anyone can enjoy whenever and wherever, even outside of Padang and Indonesia.

Over time, with the increasing market and demand in this company, they are required to carry out business processes and production with standards required. In the production of large quantities, companies can no longer use simple and unstructured methods. Clear standards and management must be applied to maintain quality.

Table 1. 1
Total Employees per Division in PT Asal Seiya Sekata 2020

No.	Division	Employees
1.	Management, Administration, & Quality Control	7
2.	Production	18
3.	Sales & Marketing	7
4.	Storage & Packaging	8
5.	Maintenance	3
Total		43

Source : Employee Division of PT Asal Seiya Sekata

The production process in Asece makes its employees must be formed in functional groups based on the tasks they have to do. There are approximately 5 work divisions in this company. Each group must focus on their work and maintain the quality of their work in order to make it easier for the other groups. Company superiors must also be able to create a good atmosphere and work spirit for their employees. Because again, Asece is a company that is very focused on the quality of its products.

Problems associated with human resources in a corporation must be considered, because despite the fact that the company is using sophisticated machines and having a large capital, eventually it depends on how good the employees are. This indicates that without supported by good performance of employees in doing their job, Asece is going to face troubles in achieving organizational success. The contribution of human resources in a business enterprise will decide the progress or retreat of the company.

Asece still experiences several failures in realizing stable quality products. There is still a substandard communication system between divisions even within a division that must be

considered by superiors. The lack of good internal relations within the company has caused the company to still be overwhelmed in pursuing its targets. Some employees are also showing low performances seen by their attendance each day.

Table 1. 2
Employees Attendance of PT Asal Seiya Sekata 2019

No.	Month	Total Employee	Work Day (Per month)	Absent (Total Day)	Total Working Days	Total Present Employee	Percentage of Present
1	July	40	27	34	1,080	1,046	96%
2	Aug	40	26	121	1,040	919	88%
3	Sep	42	24	94	1,008	914	90%
4	Oct	42	26	109	1,092	983	90%
5	Nov	42	24	87	1,008	921	91%
6	Dec	43	22	196	946	750	79%

Source : Administration Staff of PT Asal Seiya Sekata

In 2014 PT Asal Seiya Sekata began to rise by trying to increase service. This relates to the application of Total Quality Management. This company became certified by HACCP (Hazard Analysis and Critical Control Point) and they started to fix their management to improve quality of employees and products. It took several years for the employees to adjust to the new change, and employees were starting to show better performance. From the table above, it shows that employee performance based on attendance percentage is satisfying. To improve the performance of the employees of PT Asal Seiya Sekata, they are required to do their jobs properly. The more employees with high performance, the overall productivity of the company will increase. Employee success can be measured through customer satisfaction, less number of complaints and able to achieve optimal targets. Quality of human resources in of PT Asal Seiya Sekata can also be measured by completing tasks effectively and efficiently in carrying out their roles and functions. It can be improved in several ways, namely by instilling an optimal organizational culture so that it influences work behaviour as indicated by increasing individual job satisfaction and work productivity of the unit itself, which in turn will

affect the company's performance and overall employee quality. In fact, currently not all of the employee's productivity performance in a company reaches the target. This does not rule out the possibility of happening in PT Asal Seiya Sekata.

Based on the background of this study, the researcher interested to investigate **“The Impact of Organizational Culture, Total Quality Management and Organizational Commitment on Employee Performance of PT Asal Seiya Sekata”**.

1.2 Research Questions

Based on the description in introduction, the research question can be formulated as follow:

1. How does organizational culture impact the employee performance?
2. How does total quality management impact the employee performance?
3. How does organizational commitment impact the employee performance?

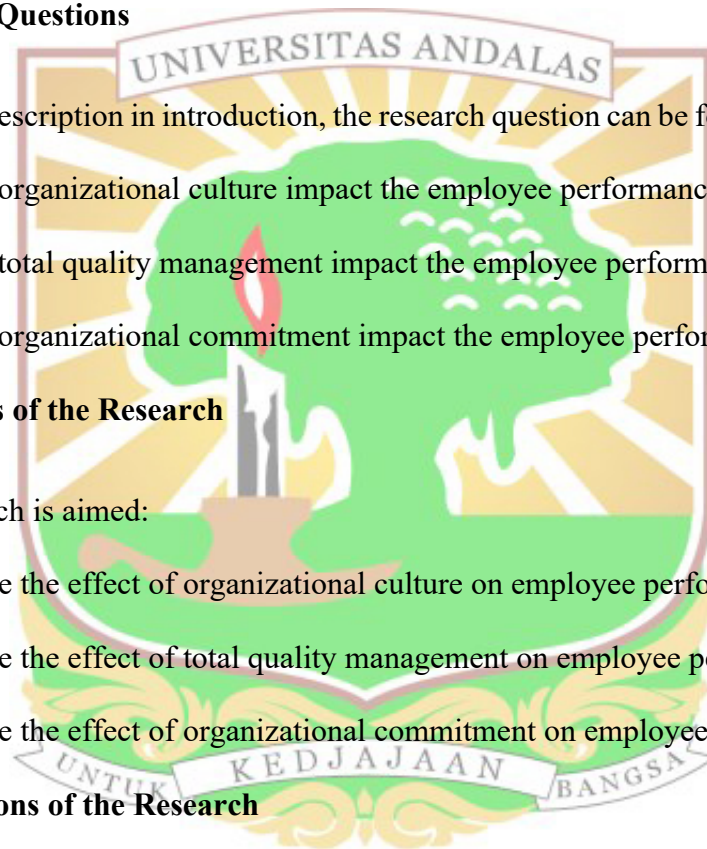
1.3 Objectives of the Research

The research is aimed:

1. To examine the effect of organizational culture on employee performance.
2. To examine the effect of total quality management on employee performance.
3. To examine the effect of organizational commitment on employee performance.

1.4 Contributions of the Research

1. The result of this research can increase further understanding about the impact of organizational culture, total quality management and organizational commitment on employee performance.
2. For the purpose of knowledge development, this research can become references for future research.



3. For the company, this research can help them implementing new strategy, system, policy, regulation or culture related to human resource quality.

1.5 Scope of the Research

This research is focused on the effect of variables organizational culture, total quality management, and organizational commitment to employee performance, conducted in PT Asal Seiya Sekata.

1.6 Outline of Research

In order to make it easier and moderate the forwarding of content, this research is divided into five chapters, they are:

Chapter I INTRODUCTION

Chapter which contain the background of the research, the problem Statement, the objective of the research, the benefit of the research, the scope of the research, and ended with the structure of writing.

Chapter II LITERATURE REVIEW

This chapter contains description of theoretical variables that include the theories that support and underline the variables used in the research and framework. Including organizational culture, total quality management, organizational commitment, and employee performance. This chapter will as well provide the review of previous studies, and hypothesis development.

Chapter III RESEARCH METHOD



In this chapter, the author put forward about the object of study, population data and data sources, techniques data collection, operational definitions of variables, data presentation techniques, and data analysis techniques.

Chapter IV ANALYSIS AND DISCUSSION

This chapter contain about the result analysis of the research, the respondent description, descriptive analysis, and respondent answer from the interview.

Chapter V CONCLUSION

This chapter contained the conclusion of the conducted research, the implication of the research, the limitation of the research and suggestion.

