

# IMPROVING EMPLOYEE PERFORMANCE THROUGH THE IMPLEMENTATION OF TOTAL QUALITY MANAGEMENT AND THE EFFECTIVENESS OF THE REMUNERATION SYSTEM

Arif Rachman Putra

University of Sunan Giri Surabaya

correspondence: arifrachmanputra.caniago@gmail.com

**Abstract** - Human resource management seeks to explore human empowerment as a factor of production in order to produce performance that meets quality standards. This will support the main objectives of the organization and strengthen its overall competitive advantage. Work processes must be faster, precise, easier, effective and efficient. Total Quality Management becomes a work system that ensures quality orientation and the remuneration system becomes a form of compensation for workers' hard work. This study intends to examine the role of TQM implementation and remuneration system in shaping employee performance. The research unit is the employees of PT ABC in Surabaya in East Java. Questionnaires were distributed to 204 employees with a response rate of 94.6%. Data collection techniques through observation and questionnaire distribution as primary data sources. Multiple linear regression analysis was used to analyze the effect of TQM implementation variables and remuneration system on employee performance. This study proves that the correct implementation of TQM will shape the improvement of employee performance. An effective remuneration system will play a role in improving employee performance. However, TQM plays a more dominant role in shaping employee performance.

**Keywords:** total quality management, remuneration system, employee performance, work quality, competency.

## INTRODUCTION

Radical changes have taken place in the last two decades in the global economy. Overall, the world economy is changing rapidly due to a variety of factors, including globalization, global trade and increasing international competition, making no country in the world isolated from the world economy today. Rapid changes result in global industrial competition. This requires a quality human element in the organization (Hutomo, 2011).

Human resource management is a necessary activity and has an important role in an organization (Jamaluddin et al., 2013). The main focus is the workers. Company performance is shown by the improvement of human capabilities, processes, and the environment (Wahyudi et al., 2006; Andayani, 2011). Continuous improvement can be done with the Total Quality Management (TQM) approach. Through well-managed TQM can affect the productive behavior of the employees themselves (Ramadhan et al., 2013). Employees will become more motivated by what they do because the work or tasks given are clear goals so that the productive performance of each worker ultimately results in optimal company performance in accordance with the company's goals (Ahmad et al., 2014; Freddy et al., 2015).

TQM focuses on the workforce or everyone who has an interest in always realizing satisfaction for their consumers by providing products with quality that meets company requirements, which requires commitment from everyone in the organization (Al Nasser et al., 2013; Darmawan et al., 2020). TQM aims to provide results without defects or reduce errors so that the needs and desires of consumers match their expectations (Fatimah et al., 2018; Naufalia et al., 2022). To get these results, a company must place workers based on competence (Mahyanalia et al., 2017; Sinambela & Ernawati, 2021). In addition, the professionalism of workers greatly supports the certainty of work implementation based on quality (Rusman et al., 2007; Ernawati et al., 2020; Putra & Darmawan, 2022).

In a company as the object of observation, several problems were found such as employee awareness has not fully understood the importance of TQM so that it has not been implemented optimally. This happens to production employees so that damaged and defective products are still often found. Communication and coordination that has not been implemented properly between production supervisors and production operators. It all causes performance not to be maximized. Whereas in this company, the management has compiled a work plan and implemented continuous improvement every year so that TQM becomes an organizational strategy about commitment to improve customer satisfaction through continuous improvement of products, labor, processes, and work environment (Arifin et al., 2022). Thus, the application of TQM is expected to have an impact on improving employee performance.

Employee performance can also increase with a stimulus that comes from the remuneration system. Remuneration is basically one of the tools to realize the vision and mission of the organization with the aim of increasing a formal bond of cooperation between the organization and workers in the framework of the organization, directing abilities, skills, time, and energy all aimed at job satisfaction, providing stimulation and enthusiasm for workers to provide

the best performance (Putra, 2021; Radjawane, 2022). Remuneration will also encourage the level of employee discipline at work (Ernawati et al., 2022). Remuneration has a broader meaning than salary, because it includes all forms of direct, indirect, and routine or non-routine rewards for each worker. Remuneration is also one of the dominant ways for organizations to retain workers (Putra, 2022; Sudrajat, 2022). According to Robbins and Judge (2017), one of the concepts of remuneration is based on performance. Remuneration is given to workers who have high performance with evidence of quality or have met expectations and work standards (Widiyana, 2021). With good remuneration, workers will feel satisfied and comfortable so that they will work productively which in turn will help the organization achieve its goals (Putra et al., 2022).

Improving the quality of human resource performance is needed in a planned, directed, and sustainable manner in order to improve the ability and professionalism at work. Employee performance is the main output associated with TQM and an effective remuneration system. This study will examine the role of TQM and remuneration systems on employee performance.

## RESEARCH METHODS

Research with this quantitative method to determine the effect of TQM Implementation and remuneration system on employee performance. The research unit is the employees of PT ABC in Surabaya, East Java. This is a motorcycle spare parts manufacturer that has 204 employees and has implemented TQM. This is determined as the population of this study as well as the research sample.

The variables involved in this study are TQM and employee performance. Indicators of TQM include customer focus, continuous improvement, employee empowerment, process management, managing quality suppliers (Hossain et al., 2017). Indicators of remuneration are salary, incentives, benefits, bonuses and commissions, allowances (Werdati et al., 2020). The indicators of employee performance, according to (Robbins & Judge, 2017) consist of work quality, work quantity, timeliness, effectiveness, and independence.

Data collection techniques through observation and questionnaire distribution as primary data sources. Multiple linear regression analysis is used to analyze the effect of TQM implementation variables and remuneration system on employee performance.

## RESULTS AND DISCUSSIONS

Questionnaires were distributed to 204 workers with a response rate of 94.6% or 193 questionnaires were returned and filled in correctly. Data on respondents could not be displayed in accordance with the request of the management.

The data collected was tested for validity and reliability. There are 30 statement items responded by respondents and all have met the validity standard and have an  $r$  value of more than 0.3. Reliability in each variable has met the Cronbach alpha standard with a minimum value of 0.7. The TQM variable obtained a value of 0.752, the remuneration system was 0.801, and employee performance was 0.836. Data analysis is continued by checking the normality of the data as in Figure 1 below.

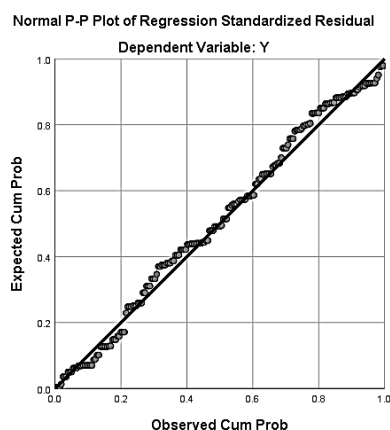


Figure 1. Normality Test  
Source: SPSS Output

Figure 1 shows that the data has met the assumption of normality because the data is spread along the diagonal line and does not move away from the diagonal line. The regression analysis results are shown in table 1 below.

Table 1  
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	18.646	2.843		6.558	.000
	X.1	6.468	.581	.483	11.123	.000
	X.2	5.436	.474	.499	11.470	.000

Source: SPSS Output

The resulting regression model is  $Y = 18.646 + 6.468X.1 + 5.436X.2$ . The regression coefficient value of the TQM variable is 6.468 with a positive value + which means that the application of TQM has a positive effect on employee performance. The better the application of TQM, the more employee performance increases. The same thing happens with the remuneration system. The regression model also shows that the TQM variable is more dominant than the remuneration system to improve employee performance. The role of the two independent variables also shows significant results by noting the significant value of  $0.000 < 0.05$ . Thus, it is proven that partially, the application of TQM and the remuneration system has a role in shaping employee performance. The F test results are shown in table 2 below.

Table 2  
ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34443.209	2	17221.605	302.830	.000 <sup>b</sup>
	Residual	10805.071	190	56.869		
	Total	45248.280	192			

Source: SPSS Output

The calculated F value obtained based on table 2 is 302.830. The significant value of 0.000 is also lower than 0.05. This means that simultaneously, the application of TQM and the remuneration system has a role in shaping employee performance. The magnitude of the coefficient of determination is shown in table 3 below.

Table 3.  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.872 <sup>a</sup>	.761	.759	7.541	1.492

Source: SPSS Output

From the tests that have been carried out using SPSS, an  $R^2$  value of 0.761 can be obtained, which means that the TQM variable and the remuneration system affect employee performance by 76.1%, while the remaining  $100\% - 76.1\% = 23.9\%$  is influenced by other variables outside the regression model.

The implementation of TQM plays a role in improving employee performance. This is in accordance with the research findings of Hanugrah (2018); and Sinambela and Darmawan (2021). This finding shows that the application of TQM is carried out as one of the company's strategies in producing standardized performance appropriately so that the results obtained are on product quality orientation and customer satisfaction by involving all workers. The implementation of TQM which is carried out in a planned and directed manner is expected to help in increasing employee productivity and performance (Khasanah et al., 2010; Ishak et al., 2016). Therefore, companies need to create an appropriate performance measurement system to determine the characteristics and quality of performance and identify actions that can be taken in an effort to improve employee performance (Razali, 2006). The more often a company measures employee performance, the company will better understand how to develop employee performance in an effective way and this performance improvement will have an impact on improving the quality of the company (Djazilan, 2022).

The remuneration system also shapes employee performance development. This is in accordance with the findings of Andayani (2014); Darmawan et al. (2021); Qoriibullah (2021); Mardikaningsih and Darmawan (2022). Performance achievement is related to recognition from the organization, in this case it can take the form of a remuneration system that is fair and in accordance with the workload (Mardikaningsih & Darmawan, 2012; Munir et al., 2022). With the right remuneration system, it will be able to improve performance achievement (Jahroni et al., 2021; Anjanarko, 2022). Performance in this study is related to the implementation of TQM. Remuneration has a very strategic meaning for the implementation of basic tasks and the success of employee performance (Lestari & Sinambela, 2021). In the end, the level of employee welfare that is fulfilled is a form of reciprocal relationship with the fulfillment of obligations in the form of employee work results (Fitriyani et al., 2011; Purnamasari et al., 2021). This will prevent the intention to leave

the organization (Djazilan, 2020; Retnowati et al., 2021). Organizational justice is shown by the fairness of wages (Retnowati & Darmawan, 2022). The remuneration system is a benchmark that the organization has paid attention to employee rights.

## CONCLUSIONS

This study proves that the correct implementation of TQM will shape the improvement of employee performance. An effective remuneration system will play a role in improving employee performance. However, TQM plays a more dominant role in shaping employee performance.

Companies are required to create products with efficient and effective processes so as to produce products of excellent quality and be able to meet the needs of their consumers as well as produce satisfaction and free from deficiencies and errors. These conditions require the company to have a culture that is in line with the culture of quality in order to implement TQM. Of course, to boost business performance, this also needs to be supported by management involvement and dedication. The support of leaders and leadership in the implementation of TQM is very helpful for the company to create the right value delivery for the company so that the expectations of consumers will be more guaranteed. This will realize customer satisfaction. In addition, the implementation of TQM is expected to solve problems related to product quality and ultimately be able to produce good quality products and be able to compete globally. The payroll system as part of the remuneration system must be implemented with the provision of meeting the minimum wage according to government policy. This is also an application of the results of performance management. The existence of fair rewards is the basic foundation for achieving job satisfaction and encouragement for employees to be truly involved in the implementation of TQM and provide good performance. This cannot be achieved optimally if remuneration is not given proportionally and effectively.

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