

# THE MEDIATING ROLE OF A LEARNING ORGANIZATION ON THE RELATIONSHIP BETWEEN TOTAL QUALITY MANAGEMENT AND OPERATIONAL PERFORMANCE

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**Abstract:** This research was carried in order to have a deeper comprehension of the role that learning organizations play in mediating the relationship that exists between Total Quality Management and operational performance. This research was carried out at leather SMEs in the Garut Regency. In this study, quantitative research methods are used, and a questionnaire is used to collect the data. The individuals responsible for Leather SMEs in Garut Regency make up the population that was used for this study, and there were a total of 106 responses. The data from this study are analyzed using descriptive analysis and SEM analysis. The analysis is done with the help of the SmartPLS program. The findings of this study show that Total Quality Management has a significant and positive effect on learning organizations. The learning organization then has a significant and positive impact on the operational performance of the business. And learning organization has a significant and positive influence on the mediation of the relationship between Total Quality Management and operational performance.

**Keywords:** Total Quality Management; Learning Organization; Operational Performa.

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## INTRODUCTION

In an increasingly competitive era of globalization, companies are required to be able to compete quickly and have their advantages. Improvements in the company are needed so that what has been built to achieve the expected goals can survive and be sustainable. Being a challenge that is not easy for the company because it has to face a very dynamic global competition, technology becomes one of its focuses so that the production process can run smoothly. Companies must be able to produce goods and services of good quality and supported by reasonable prices and services to outpace competitors. To realize this, it is necessary to improve quality standards in all aspects related to products in the form of materials, human resources, targeted promotions,

And services that can be accepted by all elements of customers so that they can attract consumers. Total Quality Management is an essential component of the contemporary business environment, since it is a management strategy that aims to promote the long-term success and customer happiness of a firm Senarath et al., (2020). Total Quality Management is a strategy that can be used that promotes the improvement of quality across all processes and functions at all levels of an organization, while also taking into consideration all of the dependent relationships that exist between different components of the company. To put it another way, the overall efficacy of an organization is directly proportional to the synergistic effect that the organization's individual outputs have Zu, (2009). By using Total Quality Management (TQM), the

company can realize a good management governance system and support continuous improvement, which will make the company focus on customer satisfaction. A learning organization has a direct connection to the contextual factors and organizational culture of an organization. The term "learning organization" refers to "the process of enhancing action through greater knowledge and understanding," and it is inextricably linked to the cultural and environmental aspects of an organization. A dynamic process of growing, learning, and incorporating new information in order to construct resources and capacities that lead to improvements in organizational performance characterizes a learning organization (López et al., 2005). Through induction training, employees of a learning organization become acquainted with the structure and culture of the organization.

Operational performance is essential for the manufacturing business since it increases production efficiency, product quality, customer satisfaction, and revenue and profit. Operational performance is concerned with processes and evaluates the performance of internal operations in terms of cost, customer service, delivery, quality, flexibility, and quality of products, services and processes Brah dan Lim, (2006). In addition, A learning organization is a location where individuals and groups in an existing organization may learn from one another about how to improve their behavior. In this study, we investigate the function of organizational learning characteristics as a mediator between total quality management and operational performance. Specifically, we look at how

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these characteristics influence organizational learning. This research looked at the data of 106 SMEs Leather in the Garut Regency of West Java, Indonesia, using a technique called PLS-SEM.

### **Literature Review**

#### **Total Quality Management**

Total Quality Management is critical in improving productivity efficiently and effectively and increasing customer and employee satisfaction. The TQM philosophy aims to make continuous and continuous improvements to products or services to enhance the quality of company performance. The term "total quality management" refers to a strategic approach that encompasses a wide range of different technical and sociocultural components. This approach is said to be able to improve the performance of a company Zhang et al., (2012). Then according to Ariani (2017), The integration of statistical methods and organizational resources is what Total Quality Management (TQM) refers to enhance the acquisition of raw materials and services by businesses. TQM refers to attitudes and behavior based on employee satisfaction with their performance. By using Total Quality Management (TQM), the company can realize a good management system and support continuous improvement, which will make the company focus on customer satisfaction. Total Quality Management is a customer-oriented approach that introduces systematic change management and continuous improvement of an organization's processes, products, and services. According to Shafiq et al. (2019), TQM is a management philosophy utilized in a

variety of industries. To obtain a competitive advantage in terms of quality, productivity, customer satisfaction, and profitability, organizations employ TQM. To incorporate the quality discipline into the company's culture and actions, TQM must demand effective and efficient strategy, data, and communication. Members of the organization, including employees, must be able to actively participate to enhancing the production process that creates products or services of the highest quality to satisfy the needs of the target consumer.

According to Flynn in the Jiménez-Jiménez et al. (2020) journal, there are seven dimensions of Total Quality Management: Support from the Top Management, Customer Relations, Supplier Relations, Workforce Management, Quality Information, Product/Service Design, and Management of Processes. While in this study using two dimensions, namely Controlled Processes, and Involved Employees Tortorella et al., (2020).

#### **Learning Organization**

Learning Organization can be viewed as a management activity requiring control and planning. The focus is on the strategic production, management, and internalization of organizational knowledge; learning organizations require information management to influence performance Cheng et al., (2014) positively. Learning organization is directly related to contextual characteristics and organizational culture. Learning organization can be defined as "the process of enhancing action through better knowledge and understanding", in

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addition, it has a close relationship with the environmental and cultural components of the company. Song et al. (2009) It's possible that interpersonal trust is one of the most significant contributors to the accomplishment of a learning organization, bolstering the distribution of knowledge and the motivation to join in collaborative initiatives. It can contribute to continual learning, and people make emotional decisions and display real concern for the well-being of coworkers in trustworthy relationships. Thus the emotional bonds that connect individuals can form the basis of interpersonal trust. Learning organizations foster the development of individuals' creative capacity to attain objectives and to continue learning collectively (Su et al., 2018). In Hung et al. (2011) journal, a learning culture in which people work together can support organizations by nurturing and sustaining systems that create knowledge. A learning organization is the central outcome of efficient human resource management and is founded on the individual learning of the organization's members. In essence, the resource system influences the capacity of the entire organization to stimulate learning and develop new knowledge Alerasoul et al., (2022).

### **Operational Performance**

In the journal Adem and Viridi (2021), Heizer defines performance in day-to-day operations seen as an organization's capacity to cut down on the costs of operational management, fulfill order cycle times, increase the efficiency of raw material consumption, and meet delivery capacity. Performance in operations is a term that refers to the quality, pricing,

productivity, and delivery results of a company. Operational performance is essential for the manufacturing business since it increases production efficiency, product quality, customer satisfaction, and revenue and profit. Operational performance is "performance related to the organization's internal operations, such as productivity, product quality, and customer satisfaction" Feng et al., (2006). According to the journal Sharma and Modgil (2020) that the major objective of operations is to minimize costs and boost operational efficiency. The operational performance also demonstrates the efficiency with which vast quantities of raw materials can be transformed into innovative and high-quality final products on schedule with minimal waste. According to Adem dan Viridi (2021), there are four dimensions of Operational Performance: Price, level of quality, degree of adaptability, and delivery time.

### **MATERIALS AND METHODS**

This research will be conducted using quantitative methods. This research will be shown on Leather SMEs in Garut Regency. This SME is engaged in the manufacturing industry that produces various leather-based products, ranging from jackets, bags, and sandals to wallets. The population of leather SMEs in Garut Regency was the focus of this study. This study uses the purposive sampling technique. Because it conforms to the researcher's predetermined criteria, this sampling is restricted to a subset of individuals who can supply the needed data. Researchers asked 106 people to participate in this study, and one of the

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prerequisites for respondents was that they owned leather SMEs in the Garut Regency and already had an established organizational structure. The data to be used in this study came from a questionnaire survey. Each question item is measured using a Likert scale. The Likert scale is an indicator designed to measure respondents' answers to see how much

influence the research subjects have in agreeing with statements that are indicators of variables. The Likert scale uses five levels of hands. Researchers used PLS-SEM for this study to analyze the data.

## RESULTS AND DISCUSSION

### Outer Model

**Table 1.** Outer Model

Construct	Indicator	<i>Factor Loading</i>	AVE
<i>Total Quality Management</i>	X1.2	0,762	0,533
	X1.3	0,703	0,533
	X1.4	0,711	0,533
	X2.1	0,784	0,533
	X2.2	0,672	0,533
	X2.3	0,744	0,533
<i>Learning Organization</i>	X3.1	0,713	0,501
	X3.2	0,758	0,501
	X3.3	0,681	0,501
	X3.4	0,716	0,501
	X4.2	0,773	0,501
	X4.2	0,770	0,501
	X4.3	0,707	0,501
	X4.4	0,659	0,501
	X5.2	0,636	0,501
	X5.3	0,712	0,501
<i>Operational Performance</i>	X5.4	0,647	0,501
	X6.1	0,713	0,509
	X6.2	0,706	0,509
	X7.1	0,722	0,509
	X7.2	0,777	0,509
	X8.1	0,688	0,509
	X8.2	0,713	0,509
	X9.1	0,726	0,509
X9.2	0,656	0,509	

Table 1 above shows that the indicator above has a factor loading value of more than 0.5, and so is the case with the AVE value in each variable showing a

number greater than 0.5. Thus, the results of the second test for convergent validity based on table 1 above indicate that the items from the instrument passed.

**Table 2.** Outer Model

Variable	<i>Learning Organization</i>	<i>Operational Performance</i>	<i>Total Quality Management</i>
X1.2	0,482	0,526	0,762
X1.3	0,417	0,464	0,703
X1.4	0,506	0,587	0,711
X2.1	0,537	0,610	0,784
X2.2	0,509	0,528	0,672
X2.3	0,493	0,500	0,744
X3.1	0,713	0,572	0,558
X3.2	0,758	0,580	0,511
X3.3	0,681	0,530	0,417
X3.4	0,716	0,599	0,481
X4.1	0,773	0,656	0,556
X4.2	0,770	0,606	0,526
X4.3	0,707	0,542	0,353
X4.4	0,659	0,612	0,443
X5.2	0,636	0,618	0,406
X5.3	0,712	0,641	0,515
X5.4	0,647	0,582	0,448
X6.1	0,538	0,713	0,556
X6.2	0,660	0,706	0,556
X7.1	0,652	0,722	0,522
X7.2	0,627	0,777	0,501
X8.1	0,619	0,688	0,535
X8.2	0,589	0,713	0,521
X9.1	0,587	0,726	0,557
X9.2	0,513	0,656	0,463

Table 2 shows that the value of the cross-loading on the items above in this study's variables has a more excellent value when associated with other variables. This

indicates that the items listed above in this study have explained the construct of each variable well, and discriminantly the things above can be said to be valid.

**Table 2.** Outer Model

Variable	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>	AVE
<i>Total Quality Management</i>	0,825	0,872	0,533
<i>Learning Organization</i>	0,900	0,917	0,501
<i>Operational Performance</i>	0,862	0,892	0,509

Based on the data in table 3, it can see that the value of all variables in the reliability test using Cronbach alpha > 0.5

and composite reliability > 0.5, and validity testing using AVE with a value > 0.5. Thus, it can conclude that all the variables tested

are valid and reliable so that the next test can be carried out, namely the inner model

**Inner Model**

**Table 3.** Inner Model

<i>Variable</i>	<i>Original Sampel (O)</i>	<i>T-Statistics</i>	<i>P-Value</i>	<i>Keterangan</i>
TQM -> LO	0,676	10,334	0,000	Signifikan
LO -> OP	0,631	10,398	0,000	Signifikan
TQM -> LO -> OP	0,426	6,942	0,000	Signifikan

Based on the data in table 4, it can see that the Total Quality Management of the learning organization has significant results with a t-statistics value of 10.334 and a p-value of 0.000. Then, the learning organization variable on operational performance has substantial results with a t-statistics value of 10.398 and a p-value of 0.000. And for learning organizations mediating TQM and operational performance has significant results with a t-statistics value of 6.942 and a p-value of 0.000.

H1: The first hypothesis has a parameter estimate of the coefficient value in the original sample (O) of 0.676 and a t-count of 10.334 > 1.96 (t-table). Furthermore, the relationship between the two variables produces a p-value of 0.000 (p < 0.05). This explains that Total Quality Management on Learning Organizations has an influence and is positive (Ho is rejected). As a result of this stated, the first hypothesis is supported.

H2: The second hypothesis has a parameter estimate of the coefficient value in the original sample (O) of 0.631 and a t-

count of 10.398 > 1.96 (t-table). Furthermore, the relationship between the two variables produces a p-value of 0.000 (p < 0.05). This explains that the Learning Organization on Operational Performance has an influence and is positive (Ho is rejected). As a result of this stated, the second hypothesis is supported.

**CONCLUSIONS**

In this study, we report the findings of a survey of SMEs Leather that was designed to examine the moderating effect of organizational learning dimensions on the relationship between the adoption of total quality management practices and the degree of improvement in operational performance. The survey was conducted in order to collect data from small and medium-sized leather enterprises (SMEs) in order to examine the moderating effect of organizational learning dimensions. The learning company benefits positively and significantly from using whole quality management. The bigger the proportion of leather SMEs that adopt Total Quality Management, the more of an impact the

learning process will have on production quality because each worker will have internalized and applied the lessons learned. The operational performance of an organization is positively and significantly impacted by organizational learning. The high application of learning at Leather SMEs in terms of knowledge, culture, and employee connections will, as a result, have an effect on the performance of the organization, as may be deduced from the previous sentence. During the manufacturing process, workers are able to communicate effectively with one another and collaborate with one another on a personal level. Through the medium of a learning organization, Total Quality Management exerts a constructive and significant influence on the operational performance of an organization. When viewed in this light, it is possible to assert that implementing Total Quality Management not only invariably results in an improvement in operating performance, but that it also helps SMEs strengthen the development of the learning process in terms of the various facets associated with culture, knowledge, and individuals. The efficiency of the operations will naturally improve as a result. Both in theory and in practice, there is a close connection between the three different variables. The owners of leather SMEs are the primary target audience for the managerial implications that stem from this study. To further reinforce the positive influence that Total Quality Management has on operational performance, business owners need the ability to further build and integrate their learning process capabilities. To put it another way, an approach to

enhancing operational performance that is solely focused on practical considerations does not result in increased output. To minimize the time and effort required to respond to SMEs in an increasingly competitive market by anticipating potential challenges related with improvement projects as the learning process develops over time.

Then in terms of Total Quality Management, the owner must provide a job description guide that employees can understand because the owner still ignores quality control in a product where the process begins with a precise and directed job description. It will affect the quality of production, which is the coffers of leather SMEs' income.

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