

The Effect of TQM On MSME Performance With Competitive Advantage Mediation

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Abstract: *This study aims to examine and analyze the effect of Total Quality Management (TQM) on the performance of MSMEs, the effect of TQM on competitive advantage, the effect of competitive advantage on the performance of MSMEs, and the effect of TQM on the performance of MSMEs by mediating competitive advantage. The research method uses a quantitative method with a sampling technique in the form of purposive sampling. Sources of research data using primary data through questionnaires and interviews obtained from a total sample of 70 MSME owners in Pademangan District, North Jakarta. The study used data analysis techniques in the form of descriptive statistical analysis and inferential statistical analysis through PLS-SEM on SmartPLS 3.0. The results of the study conclude that (1) TQM has a significant positive effect on the performance of MSMEs; (2) TQM has a significant positive effect on competitive advantage; (3) Competitive advantage has a significant positive effect on the performance of MSMEs; (4) Competitive advantage mediates the relationship of TQM on the performance of MSMEs which has a significant positive effect. This research contributes to the findings obtained for research that is in line and contributes to Resource Based View Theory and Dynamic Theory of Strategy. In addition, this research has implications for MSME actors to be able to implement the TQM system in their business to be able to compete competitively which can improve business performance.*

Keywords: *Competitive Advantage, MSME Performance, and Total Quality Management (TQM).*

Introduction

The industrial revolution 4.0 has an impact on increasing business competition which is increasingly competitive. According to Roeslan Roslani (2018), the problem in facing competition in this 4.0 era is human resources. Currently, human resources in Indonesia are still considered low, which can be seen from the level of productivity of their business performance. This is supported by data from the Ministry of SOEs of the Republic of Indonesia (2021), currently the level of productivity and the ratio of entrepreneurs in Indonesia is 3.47 percent of the total population. These are lower than Malaysia, Thailand, and Singapore, namely 4.74 percent, 4.26 percent, and 8.76 percent. This figure is considered low when compared to Malaysia, Singapore, and Thailand (Liputan6.com, 2022).

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According to Hendratmoko's research, (2021) the productivity level of MSMEs in Indonesia is considered difficult to develop due to the low level of business performance and productivity of MSMEs, especially micro-enterprises. This is proven by the results of his research survey with data from 2012-2021 stated that the number of micro-enterprises is still at 98.7 percent, meaning that almost no micro-enterprises are able to advance to a higher level. This is in line with Ramayanti & Novita's research, (2017) that currently occurs, MSME actors in Indonesia are low in the ability to innovate, manage good managerial and capital constraints so that business performance in operations is hampered. Based on the report of the International Monetary Fund (IMF, 2018), Indonesia has a great opportunity to change the economy to be more advanced by utilizing the potential that exists in businesses such as MSMEs. Business actors in Indonesia are increasing because of the good potential in business so that it can benefit business actors.

Based on data from KEMENKOPUKM in March (2021), MSMEs in Indonesia reached 64.2 million and contributed 61.07 percent to GDP, or Rp. 8,573.89 trillion in rupiah. In addition, the contribution of workers from the MSME sector is 97 percent and in total investment can collect approximately 60.42 percent (Kemenkeu.go.id, 2021). With such a situation, it can create increasingly competitive business competition between MSMEs, so to face this competition it is necessary to prepare better human resource capabilities, which will increase productivity and increase MSME competitiveness. The increase in the number of MSMEs in Indonesia by 1.98 percent is quite encouraging because there has been an increase from 2018 to 2019 where the previous number of MSMEs was only 64.19 million units to 65.47 million units (Bayu, 2022).

During the current pandemic, Indonesia's economy has become sluggish because according to the results of a Katadata Insight Center survey, 206 MSME actors in Greater Jakarta experienced a negative impact from the pandemic which caused a 63.9 percent decline in income (Katadata.co.id, 2020). In addition, based on data from KEMENKOPUKM that 56 percent of MSMEs experienced a decrease in sales profit and 22 percent of MSMEs experienced financing difficulties (Septyaningsih & Zuraya, 2020). In this increasingly fierce competition, the DKI Jakarta PPKUKM Service invites MSME actors to use a good business management system that can improve business quality and performance. This is in line with the business development program to encourage MSME performance, which based on data from the 2019 DPPKUKM, as many as 8,023 MSME actors in North Jakarta have been registered and as many as 7,023 MSME actors have had training certifications, such as entrepreneurship coaching training, financial management training, and others. In addition, as many as 2,226 MSME actors in North Jakarta managed to enter the next stage, namely the mentoring stage. With business management training for MSMEs, it is expected to be a strategy to improve product quality effectively by focusing on continuous quality improvement to achieve competitive advantage.

According to Pambreni et al, (2019), MSME management in its performance is advised to focus on customers through good service and quality to become a form of customer loyalty to the business. This is in line with the research by Jaya et al., (2021) that the application of MSME management techniques in Jakarta is still applying simple techniques and effective types of business using business management from the type of repair and

printing service business. Thus, basic knowledge about quality awareness is needed to obtain successful performance of MSMEs.

Basically, Total Quality Management is the basis for the formation of MSME strategies that have superior quality, this is in line with various studies by Imran et al., (2018); Pambreni et al., (2019); Hardiani, (2019); Khoviani & Izzaty (2020); Hilman et al, (2020); Bhaskar, (2020); Marini, Hesti & Yuniarti, (2021); Jaya et al., (2021) concluded that TQM has a significant positive effect on the performance of MSMEs. However, there are different results from the research of Bazazo et al, (2017) concluding that there are no significant results between the effect of TQM on hotel performance. This is what makes the difference with the results of previous research on the effect of TQM on the performance of MSMEs.

Based on previous research on testing competitive advantage on MSME performance that has been carried out by Asyhari et al., (2018); Hardiani, (2019); Afiyati et al., (2019); Marini, Hesti & Yuniarti, (2021) conclude that there is a significant positive effect between competitive advantage on the performance of MSMEs. This happens because competitive advantage is interpreted as the spearhead of the company's performance in market competition which is implemented by various strategies used to improve the performance of a business.

Thus, the use of competitive advantage becomes a mediating variable because the company has the right achievement of goals and strategies in creating superior value for customers, it can produce good products to satisfy customer needs. In addition, there are still few who have examined the competitive advantage between the relationship between TQM and the performance of MSMEs, thus attracting researchers to conduct this research. This is supported by Hardiani's research, (2019) which states that research by examining the MSME sector is still minimal, rare, and unique and there are significant findings that competitive advantage mediates between TQM on MSME performance.

Literature Review

Resource Based View Theory

Basically, an effort to have the ability to produce output that matches consumer expectations and focus on business goals can be seen from its resources. Several previous researchers who are in line with this study use the Resource Based View (RBV) theory to be able to suppress their resources. Resource Based View Theory was popularized by Wenerfelt, (1984), in his theory that businesses that can suppress their resources can improve business performance and are able to compete competitively until the goals of the business can be achieved. RBV theory shows that an organization can achieve a sustainable competitive advantage if it can utilize its internal resources against its competitors in a market orientation that can affect performance (Khan & Bashir, 2020).

By improving business performance and competitive advantage, it has a good effect on the company. This happens because there are important elements that have an influence in finding optimal product market activities through good resources (Wenerfelt, 1984). There are results obtained from previous researchers, namely Gray (2006) in Mulyono, (2013) that in RBV theory through absorptive capabilities to improve MSME performance is by increasing innovation and fostering good entrepreneurial abilities. In addition, according to Barret et al (2008) in Mulyono, (2013) there are differences in managerial abilities carried out by MSMEs

with large-scale companies, the difference lies in the absorptive capability in MSMEs which is a unique character value. To be able to pursue this uniqueness, the ability to develop R&D and the ability to assimilate and replicate new knowledge obtained from external sources can be carried out, to increase good managerial capacity.

Dynamic Theory of Strategy

Dynamic Theory of Strategy was popularized by Porter, (1991), in his theory states that a company can be said to be successful if its business performance achieves competitive advantage and has continuous improvement in business performance. Factors that are able to achieve competitive advantage include the company being able to implement its business goals consistently and being able to implement good business management strategies. Basically, competitive success in a business requires strategic theory to link market conditions and business behavior. This strategic approach has the aim that diversified companies are required to continue to grow and develop towards a more advanced level. According to Wang et al., (2019), this uncertain business environment needs to be anticipated by diversifying its business. A company implementing this diversification strategy has consequences that can affect business performance within a company.

In the body of this theory, it is also explained that this theory connects companies with market orientation which provides the basis for a full dynamic theory of strategy. If this does not happen, then the dynamic processes generated in business performance have no effect on competitive advantage so that a goal in business success cannot be achieved. This is in line with the research of Afiyati et al, (2019) that competitive advantage is a determining factor in measuring the increase or decrease in business performance. If the competitive advantage of a business increases, there will also be an increase in business performance. In addition, Barney et al., (2001) said that one way to improve business performance can be seen from competitive advantage because of the process of implementing strategies in competitive advantage that makes competitors in the business become so competitive.

MSME Performance

Every business has goals that must be achieved with an effective strategy. Basically, the main goal of a business is to improve business performance with optimal results (Khoviani & Izzaty, 2020). Business performance is the result of achieving company goals by means of a good and effective strategy (Afiyati et al., 2019). Company performance is one of the successes of MSMEs in a country whose main factor has the best characteristics in evaluating evaluations that are considered efficient and effective in an MSME (Raimondo, 2016). According to Hendratmoko, (2021) in improving the performance of MSMEs, the role of the government is needed to help MSMEs capital during the COVID-19 pandemic because almost all MSMEs are affected by difficulties in running their business so that it is also affected by cash flow. Several characteristics that can affect the performance of MSMEs are from the MSME owners themselves related to the demographic aspects in managing their business.

In businesses known as MSMEs, they usually measure their business performance with various perspectives. As well as the financial view, the consumer view, the internal

business process view and the learning and growth view (Kaplan & Norton, 1996). In addition, there are other business performance measurements that can be planned so that the company's goals can achieve maximum results. Other business performance measurements are through productivity, sales growth, and profitability (Pramesti & Giantari, 2016). However, several previous studies that have used the performance measurement of Kaplan & Norton, (1996) have been widely carried out by the research of Jaya et al., (2021); Respatiningsih, (2019); Yajid et al., (2018); Kurniawati & Meilianaintani, (2016), so that the adoption of the performance measurement has a good effect in assessing the effectiveness and optimization of resources for a business to be able to know and evaluate the performance of businesses that are already running.

Total Quality Management

TQM is a place to improve business in a sustainable manner through a good management organization system to meet customer needs and consumer confidence in the products and services provided by business owners to create customer satisfaction (Jaya et al., 2021). TQM is a quality management system that excels in business operations, which can maximize the potential for competitive capabilities that can have an impact on business processes in developing products with continuous improvement and providing quality services and involving employees with good potential (Goetsch & Davis, 2003). 2016).

RBV theory in relation to the TQM system is an influential factor in improving product and service quality so that it can also affect business performance (Asad et al., 2020). Goetsch & Davis, (2016) that TQM has 10 indicator measurement factors to achieve business success including focus on consumers, continuous process improvement, obsession with quality, teamwork, employee participation and empowerment, scientific approach, job education and training, long-term commitment, goal congruence, and freedom of control.

Competitive Advantage

Competitive advantage is defined as the company's ability to survive in the face of competition through offering a lower value but providing more benefits (Kotler & Armstrong, 2003). According to Hardiani's Research, (2019) that competitive advantage is interpreted as an important factor to be able to conduct business competition which is implemented by various strategies used by a company to continue to have strong competitiveness and be able to improve business systems on an ongoing basis.

In Porter's theory, (1991) a company can be said to be successful if its business performance achieves a competitive advantage and has continuous improvement in business performance. In addition, Barney et al., (2001) said that one way to improve company performance can be seen from competitive advantage. According to Firman, (2021); Hardiani, (2019) adopted from (Porter, 1993) there are 4 indicators of measuring competitive advantage in achieving a business goal including innovation strategies, quality improvement strategies, cost reduction strategies, and differentiation strategies.

Hypothesis Development

The Effect of Total Quality Management on MSME Performance

TQM is a means to create good quality with various strategies carried out such as knowledge of business strategies and business conditions for business growth and efforts to innovate to improve MSME performance (Sahoo & Yadav, 2017). Many TQM factors such as improving service and product quality, teamwork, customer focus, and technical quality can improve MSME organizational performance (Chienwattanasook & Jermsittiparsert, 2019). By implementing an effective TQM approach in a company, it has a good impact on increasing MSME performance (Minci, 2018).

Several previous studies that have conducted these tests have positive and significant results. Researchers who conducted the test, one of them Sahoo & Yadav, (2017) showed that the test between the influence of TQM and the performance of MSMEs showed significant positive results. In addition, these results are supported by other studies Imran et al., (2018); Chienwattanasook & Jermsittiparsert, (2019); Pambreni et al., (2019); Hardiani, (2019); Hilman et al., (2020); Khoviani & Izzaty, (2020); Bhaskar, (2020); Marini, (2021); Jaya et al, (2021) who had a significant positive result.

Based on the results of previous studies, researchers have made the following hypotheses:

H1: TQM has a significant positive effect on the performance of MSMEs.

The Effect of Total Quality Management on Competitive Advantage

TQM is a means to create good quality with various strategies carried out such as In a business developed by a business owner, it is necessary to consider an innovation strategy to achieve superior competitiveness. According to Minci, (2018) the organization must push its goals so that these great opportunities can be obtained in the market to make decisions. In addition, a business that is oriented to entrepreneurship must be able to have a big mind to implement a management strategy that uses the ability to innovate. In which there are various strategies to deal with all kinds of possibilities that will occur in the market (Minci, 2018).

In choosing an innovative management strategy there are various efforts that can be made to increase efficiency. Among them is by seeking an operating system that is oriented or prioritizes the quality of the product which is commonly called Total Quality Management or TQM (Khoviani & Izzaty, 2020). Several previous studies that have tested the effect of TQM with competitive advantage showed a positive and significant result. One of the previous studies showed that the test between the influence of TQM and competitive advantage showed significant positive results (Hardiani, 2019). In addition, these results are supported by other studies Firman, (2021); Irmadhani, Atika, & Junaidi, (2019); Minci, (2018) also showed similar results, namely the influence of TQM with competitive advantage showed significant positive results.

Based on the results of previous studies, researchers have made the following hypotheses:

H2: TQM has a significant positive effect on Competitive Advantage.

The Effect of Competitive Advantage on MSME Performance

Excellence in competition is the output of implementing strategies used by company resources to improve company performance (Word, 2021). With this business competition,

the company's performance can work optimally by innovating so that it can achieve the goal of being competitive to survive in the era of business industry competition. This is in line with Hardiani's research, (2019) that competitive advantage is defined as the spearhead of a company's performance in market competition which is implemented by various strategies used by a company to continue to have strong competitiveness and be able to improve business systems on an ongoing basis. From this research, it shows that there is a significant positive between competitive advantage and TQM.

Competitive advantage can improve performance to be more competitive and sustainable in the performance of organizations such as SMEs. Thus, MSME actors need to implement strategies to strengthen their business position in a very strong business competition. This is supported by previous research (Hardiani, 2019) that MSMEs in the food sector in the Yogyakarta area by testing competitive advantage on MSME performance have a positive impact. This is in line with the results of several previous studies which showed significant positive results Minci, (2018); Asyhari et al., (2018); Afiyati et al., (2019); Marini, (2021).

Based on the results of previous studies, researchers have made the following hypotheses:

H3: Competitive Advantage has a significant positive effect on MSME Performance.

The Effect of Competitive Advantage Mediates the Relationship of Total Quality Management on MSME Performance

Adopting TQM and competitive advantage is a very important business strategy to measure business performance. Competitive advantage becomes a challenge for companies to be able to create optimal resources, improve product and service quality, innovate with differentiation strategies so as to create customer satisfaction. According to Afiyati et al., (2019) a company with a good differentiation strategy can create good business performance. This differentiation strategy can be achieved by optimally utilizing various resources so that the company is able to provide products and services that are different from potential competitors.

This is based on previous research on TQM testing on MSME performance conducted by Imran et al., (2018); Pambreni et al., (2019); Chienwattanasook & Jermisittiparsert, (2019); Hardiani, (2019); Khoviani & Izzaty (2020); Hilman et al., (2020); Bhaskar, (2020); Marini, (2021); Jaya et al., (2021) concluded that the results were significantly positive during TQM testing on the performance of MSMEs. This is because TQM as a means for the best quality with business strategies, understanding business growth conditions, and encouraging business owners to innovate so that there is an increase in MSME performance. This is based on previous research on testing competitive advantage on MSME performance that has been carried out by Asyhari et al., (2018); Hardiani, (2019); Afiyati et al., (2019); Marini, (2021) concluded that there were significant positive results in the relationship between competitive advantage and the performance of MSMEs. This happens because competitive advantage is interpreted as the spearhead of the company's performance in market competition which is implemented by various strategies used to improve the performance of a business. Based on previous research on competitive advantage mediating TQM on the performance of MSMEs that has been carried out by Firman, (2021); (Irmadhani, Atika, & Junaidi, 2019); Minci, (2018) concluded that the results were significantly positive. This can happen because if TQM

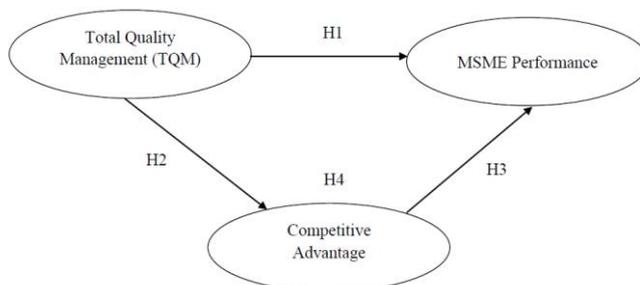
and competitive advantage increase, there will also be an increase in the performance of MSMEs. This is in line with Hardiani's research, (2019) that TQM and competitive advantage have a significant effect on the performance of MSMEs which simultaneously factors in TQM such as continuous improvement and factors in competitive advantage such as meeting consumer expectations and satisfaction in line with the increasing performance of MSMEs. Based on this, competitive advantage has the possibility to be able to mediate the influence of TQM on the performance of MSMEs.

Based on the results of previous studies, researchers have made the following hypotheses:

H4: Competitive Advantage mediates the relationship of TQM on MSME Performance significantly has a positive effect.

Figure 1

Theoretical Framework



Source: Data processed by Researchers (2022)

Methodology

This research method is quantitative, which in the research process uses measurements and observations, calculations, and statistical data that are numerical. This study also uses primary data obtained directly from the source of MSME owners. The data is then processed to test the hypothesis between the variables used through statistical analysis. In measuring the data in this study, the researcher used a Likert scale with a level of points 1 – 5 to measure questions about these variables.

The data collection technique is in the form of a field survey using closed questionnaires and interviews. A questionnaire consisting of various questions that will be distributed through MSME owners in Pademangan District, North Jakarta. The interview materials that will be asked in this study are based on Total Quality Management indicators around focus on consumers, continuous process improvement, obsession with quality, teamwork, employee participation and empowerment, scientific approach, job education and training, long-term commitment, conformity purpose, and free in control. In this study, the data analysis technique that will be used is descriptive analysis and inferential statistical analysis as measured by PLS-SEM on SmartPLS 3.0 software. According to (Wong, 2019) PLS-SEM is a multivariate data analysis technique that is usually used to research and test theoretically supported linear and additive relationships.

The unit of analysis used in this study is the owner of MSMEs. The population used in this study was 5,673 MSME Owners in Pademangan District, North Jakarta based on data

from the DKI Jakarta PPKUKM Service in the 2022 period. However, based on JAKPRENEUR data, only 100 MSME owners were selected. The sampling technique of this study used a non-probability sampling technique with purposive sampling. The following criteria were used for sampling.

1. MSMEs in Pademangan District which are recommendations from the DKI Jakarta PPKUKM Office for the 2022 period based on JAKPRENEUR data.
2. MSMEs that have realized that in their operations have implemented a TQM system.

The researchers used the slovin formula to measure the sample size used in the study. According to Sugiyono, (2013), to determine the sample size to explain the entire population, the slovin formula popularized by Slovin in 1996 can be used. The following is the slovin formula:

$$n = \frac{N}{(1 + Ne^2)}$$

Description:

n = total sample

N = total population

e² = margin of error (10% atau 0,1)

Based on this formula, it can be seen the number of samples as follows.

$$n = \frac{N}{(1 + Ne^2)}$$

$$n = \frac{5.673}{(1 + 5.673 (0,1)^2)}$$

$$n = 98,28$$

The number of samples based on the results of using the Slovin formula is known to be 98.28, then the researcher rounds the results of the sample calculation to 100 so that the research results are better. In addition, because the researcher used two sample selection criteria which can be seen in the sample criteria table, if 100 SMEs owners in Pademangan District which are recommendations from the DKI Jakarta PPKUKM Office do not apply the TQM system in their business operations, they will be declared invalid. The following table of sample criteria in this study.

Tabel 1

Sample Criteria

Description	Qty
MSMEs in Pademangan District which is a recommendation from the DKI Jakarta PPKUKM Service for the 2022 period based on JAKPRENEUR data	100
MSMEs that do not implement the TQM system in their business operations	(30)
MSMEs which in their business operations apply the TQM system	70
Total Sample	70

Source: Data processed by Researchers (2022)

In this study, the researcher did not test the questionnaire because based on the use of questionnaire indicators in each research variable, it was categorized as a standard research questionnaire indicator because validity and reliability tests had been carried out by various previous researchers (adopted from various previous studies). According to Respatiningsih, (2019); Yajid et al., (2018); Kurniawati & Meilianaintani, (2016) adopted from Kaplan & Norton, (1996) there are 4 indicators to measure the performance of MSMEs in achieving a business goal is Financial Outlook, Consumer View, Internal Business Process View, and Learning and Growth View. According to Firman, (2021); Segara & Sudiartha, (2019); Minci, (2018) adopted from Goetsch & Davis, (2016) that TQM has 10 indicator measurement factors to achieve business success is Focus on consumers, Continuous process improvement, Obsession with quality, There is teamwork, Employee participation and empowerment, Scientific approach, On-the-job education and training, Long term commitment, Purpose fit, and Free in control. According to Firman, (2021); Hardiani, (2019) adopted from (Porter, 1993) there are 4 indicators of measuring competitive advantage in achieving a business goal is Innovation Strategy, Quality Improvement Strategy, Cost Reduction Strategy, and Differentiation Strategy.

Findings & Discussion

The number of MSME owners in this study was 70 respondents, dominated by women with a total of 45 respondents or 64.29 percent, which is much larger than the number of male MSME owners as many as 25 respondents or 35.71 percent. In addition, MSME owners aged 41-50 years dominated in this study as many as 21 respondents or 30.00 percent. Then, the education level of the MSME owners from 70 respondents was dominated by the SMA/SMK education level. Where the owners of MSMEs who took education at the SMA/SMK level were 37 respondents or 52.86 percent. Generally, the length of business of the MSME owners in Pademangan District is more than 7 years with a total of 28 or 40.00 percent of respondents. Of the 70 respondents who own small businesses, it can be seen from the number of employees owned by MSME owners with 5-19 people as many as 55 respondents or 78.57 percent. In addition, there are 15 respondents or 21.43 percent of MSME owners with 20-99 employees.

Table 2

Descriptive Analysis

Variable	N	Min	Max	Mean	STDEV
TQM	70	2	5	4,58	0,60
MSME Performance	70	1	5	4,27	0,77
Competitive Advantage	70	2	5	4,23	0,70

Source: Data processed by Researchers (2022)

Based on descriptive analysis, in table 2 to determine the profile of respondents' data on statements from each variable with the acquisition of 70 samples.

1. Total Quality Management (TQM)

Based on the 20 statement items in TQM as an independent variable, the minimum number of answers is 2 scores and the maximum number is 5 scores, so that the average answer on this variable is 4.58 which means that in this study the dominant respondent's answer agrees to TQM has an influence on the performance of SMEs. Then the result of the standard deviation value in TQM has a value of 0.60 which means that the data in this study has a smaller range of variable values because it has a small gap between the amount of each data and the calculated average value.

Based on the results of respondents' answers on the Total Quality Management (TQM) indicator, there are interesting things from the answers of the MSME Owners, namely there are findings in being free and in control, the TQM 19 indicator has a low value that the MSME Owners in Pademangan District in making decisions not only by MSME owners, but there are several other parties who participate in decision-making, such as capital funders and the MSME Owner cooperation team. However, apart from the parties who have control in decision making, MSME owners in Pademangan District have a good relationship with the team and their employees, it can be seen from the value on the indicators of education and job training in TQM 7 which has the highest value compared to the TQM indicator other. By having a solid team and being able to maintain good relationships, MSME owners in Pademangan District always try to prioritize customer satisfaction by making continuous improvement and optimizing the human resources owned by the business through a simple training process provided by MSME owners and honing the skills of employees, to participate in improving the quality of the business.

2. MSME Performance

Based on 8 statements in the performance of MSMEs as the dependent variable, the minimum number of answers is 1 score and the maximum number is 5 scores, so that the average answer on this variable is 4.27 which means that in this study the dominant respondents' answers agreed to the MSME performance which forming a TQM model and competitive advantage can affect the success of MSMEs. Then the result of the standard deviation value on MSME performance has a value of 0.77, which means that the data in this study has a smaller range of variable values because it has a small gap between the amount of each data and the calculated average value.

Based on the results of respondents' answers on the MSME performance indicators, there are interesting things from the MSME Owners' answers, namely there are findings in the financial view that the MP 2 indicator has a low value because in the last 3 months MSME owners in Pademangan District are not easy to increase business sales. In addition, it also has an influence on operating profit which has decreased which causes cash flow for business capital to be hampered so that many MSME owners during the pandemic experience massive losses. However, apart from the covid-19 pandemic, there were other findings in terms of learning and growth in the MP 8 indicator which has a high value that in early 2022 MSME owners implement a strategy to revive the business that is being run by rewarding employees who have good performance by providing rewards and bonuses even though sales activities do not always result in an increase on a regular basis. By appreciating employee performance, it indirectly motivates employees to jointly increase revenue sales through MP 7, MP 6, and

MP 5 that MSME owners and teams are involved in increasing business growth, who also strive to innovate continuously and always prioritize quality in service.

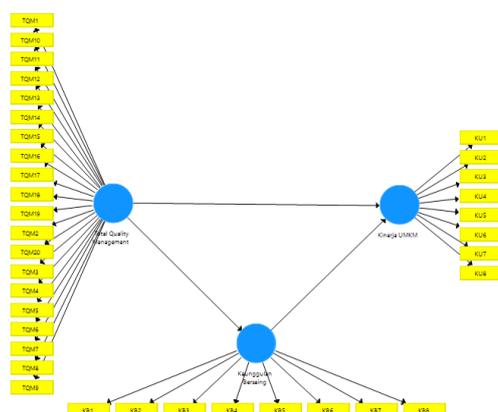
3. Competitive Advantage

Based on the 8 statements in competitive advantage as a mediating variable, the minimum number of answers is 2 scores and the maximum number is 5 scores, so that the average answer on this variable is 4.23 which means that in this study the dominant respondent's answers agreed to competitive advantage. influence on the performance of SMEs. Then the result of the standard deviation value on MSME performance has a value of 0.70, which means that the data in this study has a smaller range of variable values because it has a small gap between the amount of each data and the calculated average value.

Based on the results of respondents' answers in this study, there are several findings in the cost reduction strategy for the CA 6 indicator which has a high value. The owners of MSMEs in Pademangan District in their business operations always improve the quality of their products or services by implementing a low cost structure but the products or services produced are still of high quality. But on the other hand, MSME owners in Pademangan District in the quality improvement strategy on the CA 3 indicator have a low value because MSME owners in Pademangan District only dare to take projects or orders that are not too large and not too risky because considering the dominant MSME business sector located in Pademangan District is still classified as a small business. In terms of innovation strategy, it is still in the process stage to make improvements in every MSME in Pademangan District.

The next stage in this research is to conduct an Evaluation of Measurement Model (Outer Model) which is interpreted as a measurement model that can see the relationship between indicators and other variables. The outer model is a test of validity and reliability. The following is a path diagram to describe this research model.

Figure 2
Path Diagram



Path Diagram is interpreted as a unified diagram consisting of a combination of measurement models and structural models. The path diagram in this study connects variables, where TQM as an independent variable or in SmartPLS is called an exogenous variable, MSME performance as a dependent variable which is also referred to as an

endogenous variable, and competitive advantage as a mediating variable. According to Hair et al (2016) to get results on the outer model, various tests must be carried out, including:

Convergent Validity

Convergent validity is defined as a positive correlation measure through alternative measures of the same construct. Therefore, the indicator items of each variable must reach a valid construct. To find out a valid construct, an evaluation of convergent validity is carried out by considering the value of outer loadings and Average Variance Extracted (AVE). The following is the value of the outer loadings of the TQM construct, the performance of SMEs, and competitive advantage.

Table 3
Outer Loadings

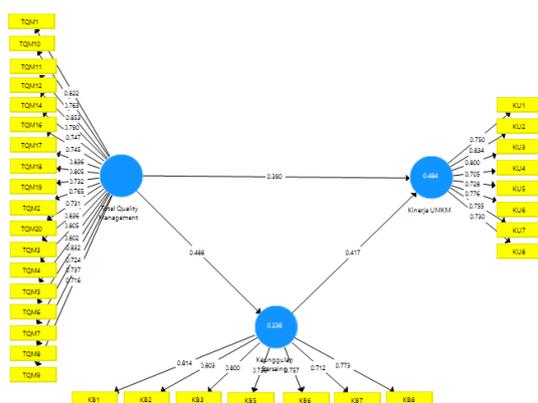
	Competitive Advantage	MSME Performance	Total Quality Management	Description
CA1	0,809			Valid
CA2	0,807			Valid
CA3	0,812			Valid
CA4	0,698			Invalid
CA5	0,731			Valid
CA6	0,749			Valid
CA7	0,711			Valid
CA8	0,765			Valid
MP1		0,751		Valid
MP2		0,835		Valid
MP3		0,800		Valid
MP4		0,704		Valid
MP5		0,728		Valid
MP6		0,775		Valid
MP7		0,754		Valid
MP8		0,728		Valid
TQM1			0,815	Valid
TQM2			0,773	Valid
TQM3			0,836	Valid
TQM4			0,801	Valid
TQM5			0,800	Valid
TQM6			0,831	Valid
TQM7			0,720	Valid
TQM8			0,735	Valid
TQM9			0,715	Valid
TQM10			0,752	Valid
TQM11			0,846	Valid

	Competitive Advantage	MSME Performance	Total Quality Management	Description
TQM12			0,795	Valid
TQM13			0,642	Invalid
TQM14			0,751	Valid
TQM15			0,570	Invalid
TQM16			0,743	Valid
TQM17			0,836	Valid
TQM18			0,807	Valid
TQM19			0,732	Valid
TQM20			0,735	Valid

Source: SmartPLS 3.0 output, data processed by researchers (2022)

The results of the outer loadings test on the exogenous construct in this study are TQM, where there are 18 indicators that have an outer loadings value of 0.7, meaning that the indicator is valid and can be further tested. However, there are only 2 indicators (TQM13 & TQM15) that have a value of outer loadings < 0.7, meaning that the indicator is invalid and cannot be carried out for further testing. Then, the results of the endogenous construct test in this study are the performance of MSMEs which consists of 8 indicators having an outer loadings value of 0.7, meaning that the 8 indicators are valid and can be used for further testing. Finally, the results of the outer loadings test on competitive advantage have 7 indicators that have an outer loadings value of 0.7, meaning that the indicator is valid and can be used for further testing. However, there is only 1 indicator (CA4) that has an outer loadings value of < 0.7, meaning that the indicator is invalid and cannot be used for further testing. The following diagram shows the value of the output outer model.

Figure 3
Outer Model



After evaluating the value of the outer loadings, the researcher then considers the value of the Average Variance Extracted (AVE). If the AVE value > 0.5 then the AVE value can be said to be valid. The following is the AVE value of each variable in this study.

Tabel 4

Average Variance Extracted (AVE)

Variable	Average Variance Extracted
Competitive Advantage	0,595
MSME Performance	0,579
Total Quality Management	0,610

Source: SmartPLS 3.0 output, data processed by researchers (2022)

Based on the table of AVE test results, all indicators in the measurement of each variable in this study have a value > 0.5 which means that the value is acceptable or valid.

Discriminant Validity

Discriminant validity is defined as a construct that has a unique value because there are differences between the construct and other constructs. In evaluating discriminant validity, it is necessary to test cross loadings and Fornell's larcker criterion. For the Fornell larcker criterion, it is defined as a measure by comparing the square root of the AVE value which is related to the latent variable. Based on that, the square root value of each AVE construct must be greater than the correlation value with other constructs. The following is the Fornell larcker value of the TQM construct, MSME performance, and competitive advantage.

Table 5

Fornell Larcker Criterion

	Competitive Advantage	MSME Performance	Total Quality Management
Competitive Advantage	0,771		
MSME Performance	0,607	0,761	
Total Quality Management	0,488	0,593	0,781

Source: SmartPLS 3.0 output, data processed by researchers (2022)

Based on the Fornell larcker criterion, the value of the square root AVE of MSME performance is 0.761 which indicates that this value is greater than the competitive advantage correlation value of 0.607, which means that the value of a discriminant validity is acceptable. In addition, the TQM value in the AVE square root is 0.781, which indicates that the value is greater than the MSME performance correlation value of 0.593 and the TQM value in the AVE square root is greater than the competitive advantage correlation value of 0.488. This shows that the discriminant validity value can be accepted. After doing the Fornell larcker test, the researcher also considered the cross loadings value test. Cross loading is defined as a measurement of outer loadings on related constructs and other constructs, where the value of outer loadings on the related constructs must be greater than the value of cross loading on other constructs. The following is the value of the cross loadings of each variable.

Table 6

Cross Loading

	Competitive Advantage	MSME Performance	Total Quality Management
CA1	0,814	0,483	0,339
CA2	0,803	0,554	0,358
CA3	0,800	0,364	0,314
CA5	0,736	0,412	0,402
CA6	0,757	0,496	0,346
CA7	0,712	0,379	0,383
CA8	0,773	0,537	0,465
MP1	0,431	0,750	0,555
MP2	0,452	0,834	0,543
MP3	0,565	0,800	0,447
MP4	0,393	0,705	0,310
MP5	0,502	0,728	0,386
MP6	0,512	0,776	0,408
MP7	0,399	0,755	0,523
MP8	0,425	0,730	0,395
TQM1	0,382	0,569	0,822
TQM2	0,432	0,496	0,765
TQM3	0,468	0,518	0,836
TQM4	0,435	0,540	0,805
TQM5	0,323	0,393	0,802
TQM6	0,347	0,451	0,832
TQM7	0,269	0,423	0,724
TQM8	0,199	0,379	0,737
TQM9	0,386	0,428	0,716
TQM10	0,496	0,467	0,763
TQM11	0,372	0,458	0,853
TQM12	0,376	0,465	0,790
TQM14	0,384	0,336	0,747
TQM16	0,368	0,424	0,745
TQM17	0,421	0,534	0,836
TQM18	0,341	0,479	0,805
TQM19	0,340	0,425	0,732
TQM20	0,396	0,453	0,731

Source: SmartPLS 3.0 output, data processed by researchers (2022)

Based on the results of the cross-loading test, the overall value of the outer loadings of each indicator on the related construct has a value greater than the value of the cross loadings on other constructs. The following is an explanation regarding the results of the cross-loading

test. Thus, all existing constructs or all variables in this study have a quality discriminant validity value.

Cronbach Alpha and Composite Reliability

The composite reliability test was carried out to test the accuracy of the measurement of each variable. If the value of composite reliability and croncbach aplha > 0.7 then the value can be said to be reliable. The following are the composite reliability values and Cronbach alpha values for each variable construct.

Table 7

Composite Reliability and Cronbach Alpha

Variable	Cronbach's Aplha	Composite Reliability
Competitive Advantage	0,886	0,911
MSME Performance	0,896	0,916
Total Quality Management	0,962	0,966

Source: SmartPLS 3.0 output, data processed by researchers (2022)

Based on the results of the composite reliability test and Cronbach alpha, all constructs on the composite reliability value and the composite reliability value have a value of more than 0.7, meaning that all variables in this study can be said to be reliable. This is because all the variables in the composite reliability test and Cronbach alpha meet the measurement of a construct. Therefore, all research constructs were declared reliable and could be further tested.

The evaluation of measurement model (outer model) test has results in the tests that have been carried out and meet the analysis requirements and can be accepted, so that the next stage of analytical testing can be carried out. The next stage in this research is to conduct an Evaluation of Structural Model (Inner Model) interpreted as evaluating measurements for causality testing with various variable constructs. Based on the research by Hair et al., (2016), the tests carried out in the evaluation of structural models are as follows.

R²

R² is defined as a measure to evaluate the inner model. The model represents the amount of variance in the endogenous construct that exists in the associated exogenous construct. R² is defined as a predictive power model which is assessed as a quadratic correlation between the actual value and the predictive value of a particular endogenous construct. R² is also one of the number of variants in the endogenous construct-related variables described by all the exogenous constructs associated with it. That way the value of R square consists of 0.67 which means strong; 0.33 means moderate; 0.19 means weak. The following table values R Square.

Table 8

R Square

Variable	<i>R Square</i>
Competitive Advantage	0,238
MSME Performance	0,484

Source: SmartPLS 3.0 output, data processed by researchers (2022)

Based on the results of the R^2 test that has been carried out, the R^2 value in TQM affects the competitive advantage of 0.238 (weak). This means that 23.8% of competitive advantage can be influenced by TQM and 76.2% of competitive advantage is influenced by other variables. In addition, the value of R^2 on TQM and competitive advantage affects the performance of MSMEs by 0.484 (moderate). This means that 48.4% of MSME performance can be influenced by TQM and competitive advantage while the remaining 51.6% is influenced by other variables.

Path Coefficients

Path coefficients are defined as a model that looks at the direction of the hypothetical relationship. This test usually has a value between the standard value limit of -1 to +1. Simply put, the closer the value is to +1, the more positive the relationship is and the -1 the stronger the negative relationship is. The following table of path coefficients values.

Table 9
Path Coefficients

	Total Quality Management	Competitive Advantage	MSME Performance
Total Quality Management		0,488	0,390
Competitive Advantage			0,417
MSME Performance			

Source: SmartPLS 3.0 output, data processed by researchers (2022)

Based on the results of the path coefficients test, every variable in this study has a positive relationship. In testing the TQM variable on competitive advantage, it has a positive effect of 0.488. In addition, in testing the TQM variable on the performance of MSMEs, it also has a positive effect of 0.390. Then on the test of competitive advantage on the performance of MSMEs, it also has a positive effect of 0.417.

T-Statistics

T-Statistics is defined as a test that tests the significance of the hypothesis. Usually, the test uses an alpha level of 5%, the critical value is 1.96. If the value of T-Statistic > -1.96 or T-Statistic < 1.96 then the hypothesis result is not significant. If the opposite happens, T-Statistic < -1.96 or T-Statistic > 1.96 then the hypothesis result is significant. To find out this hypothesis testing results in the form of bootstrapping output. The following figure 2 bootstrapping output and table 9 from the results of hypothesis testing.

Figure 4
Bootstrapping

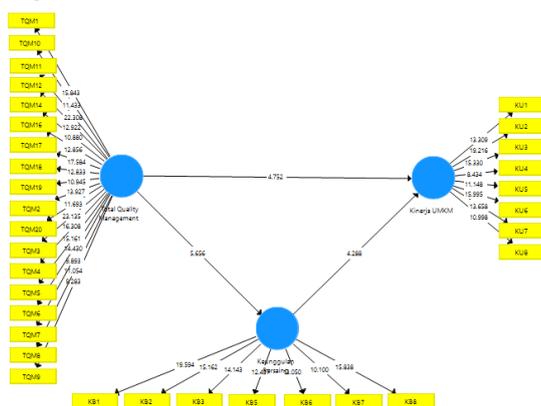


Table 10
Bootstrapping

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (O/STDEV)	P Values
TQM → MSME Performance	0,390	0,399	0,082	4,752	0,000
TQM → Competitive Advantage	0,488	0,504	0,086	5,656	0,000
Competitive Advantage → MSME Performance	0,417	0,420	0,097	4,288	0,000
TQM → Competitive Advantage → MSME Performance	0,203	0,212	0,062	3,287	0,001

Source: SmartPLS 3.0 output, data processed by researchers (2022)

Based on the results of the existing hypothesis testing, it can be seen that the value of each hypothesis in this study, namely H1, H2, H3, and H4 has a value of more than 1.96, which means that all hypotheses in this study are accepted.

Discussion

The Effect of Total Quality Management on MSME Performance

The first hypothesis based on data analysis that has been carried out is known that TQM has a significant positive impact on the performance of MSMEs. This happens because the higher the level of Total Quality Management (TQM), the higher the performance level of MSMEs. The results of this study are also in line with previous research, namely Sahoo & Yadav,

(2017); Imran et al., (2018); Chienwattanasook & Jermisittiparsert, (2019); Pambreni et al., (2019); Hardiani, (2019); Hilman et al., (2020); Khoviani & Izzaty, (2020); Bhaskar, (2020); Marini, (2021); Jaya et al., (2021) showed a significant positive result between the effect of Total Quality Management on MSME Performance. This is in line with the research of Hilman et al., (2020) that the use of the right method to emphasize the quality of products and services in Large Enterprises and SMEs is to use the TQM approach, because by implementing an effective TQM approach in a company, it has a good impact on increasing MSME performance.

The results of this study also support the Resources Based View Theory which can provide effectiveness in business capabilities with optimal resources. Based on the findings and the theory that there is a conformity, therefore MSME actors are expected to be able to implement the TQM system for the sustainability of business operations so that the management system in the form of Total Quality Management can improve the operations of a business with continuous improvement. If the application of TQM in a business is more effective, the achievement of organizational performance will also be maximized (Marini, 2021). Based on the results of interviews, overall researchers captured answers from MSME owners stating that their business always focuses on consumers.

According to respondents who have been interviewed, if the business owner can meet consumer expectations, then it becomes an added value of a business. If consumers are satisfied with the services and products provided, consumers will definitely come back again to buy products or use business services or consumers have high loyalty to the business. This will have an effect on increasing financial performance which can provide greater profits than before. This is in line with Wang's statement, (2012) that companies in achieving their goals must provide effective services that can create customer satisfaction so that companies can receive increased profits.

The Effect of Total Quality Management on Competitive Advantage

The second hypothesis based on data analysis that has been done is known that TQM has a significant positive effect on competitive advantage. The results of this study are also in line with previous research conducted by Firman (2021); Hardiani, (2019); Irmadhani, Atika, & Junaidi, (2019); Minci, (2018) shows a significant positive result between the influence of Total Quality Management on Competitive Advantage. According to Hardiani, (2019) that competitive advantage is a very important strategy to support continuous improvement which is considered capable of strong competitiveness and able to improve business systems on an ongoing basis. In addition, the implementation of the TQM system is an increase in the competitiveness of a business because there is a focus on customers, there is continuous improvement, and improving employee skills with education and training (Firman, 2021).

The results of this study also support the Dynamic Theory of Strategy where this theory is in line with the concept of Total Quality Management (TQM) whose application also carries out a continuous improvement approach. According to Porter's (1991) theory that one strategy to achieve competitive advantage is to apply differentiation and low-cost strategies. Based on the findings and the theory has a match, then the application of the TQM system in business can be well implemented by MSME owners, so that the management system in the

form of Total Quality Management can increase competition competitively with elements of implementing innovation strategies, improving quality, reducing costs, and doing differentiation. product. In line with research conducted by Wijiharjono, (2021) that Total Quality Management prioritizes product or service quality, provides optimal service, and makes continuous improvements to create and improve good competitiveness.

Based on the results of interviews with MSME owners regarding the application of the TQM system to competitive advantage, it can be concluded that the application of the TQM system to competitive advantage is considered good but not optimal in terms of innovation. This happens because the dominant MSME owners in Pademangan District are 41-50 years old, meaning that MSME owners have more business experience than MSME owners who are younger. However, when compared in terms of innovation and differentiation, MSME owners aged 41-50 years are far behind with MSME owners aged below.

The Effect of Competitive Advantage on MSME Performance

The third hypothesis based on data analysis that has been carried out is known that competitive advantage has a significant positive effect on the performance of MSMEs. The results of this study are also in line with previous researchers, namely Minci, (2018); Asyhari et al., (2018); Hardiani, (2019); Afiyati et al., (2019); Marini, (2021) there is a significant positive impact between the relationship of competitive advantage on the performance of MSMEs. This result also shows that there is a relationship with the Resources Based View (RBV) theory which states that a business can achieve a sustainable competitive advantage if the business can utilize its internal resources against its competitors in a market orientation that can affect business performance (Khan & Bashir, 2020). This is in line with the research by Jaya et al., (2021) which states that the formation of competitive advantage can be achieved if a company has RBV principles that focus on internal conditions that can be a value and strength in creating a product. Where the RBV theory can improve organizational performance and produce good product quality to achieve competitive advantage.

Based on the results of this research interview, there are findings that if competitive advantage increases, there will also be an increase in the performance of MSMEs and if competitive advantage decreases, there will also be a decrease in MSME performance. This is in line with the research of Afiyati et al., (2019) that competitive advantage is a determining factor that determines the high or low business performance. The higher the competitive advantage of a business, the higher the level of business performance. In addition, Barney et al., (2001) said that one way to improve company performance can be seen from competitive advantage.

The phenomenon that has occurred in the last two years, precisely in 2019, there has been a pandemic which has caused the level of business performance in all sectors to decline. This also has an impact on decreasing the level of business competition which can make MSME owners lose a lot of business capital because they must cover business losses and there is an inhibition of business cash flow. However, in May 2022, MSMEs who were respondents in this study had bounced back as many as 58 MSME owners or 82.86 percent experienced an increase in sales profits so that only 12 MSME owners or 17.14 percent were still experiencing a decline or uncertain numbers in obtaining income. sales profit. This is

because the successful MSME owners have implemented innovation strategies, differentiation strategies, quality improvement strategies, and cost reduction strategies.

The Effect of Competitive Advantage Mediates the Relationship of Total Quality Management on MSME Performance

The fourth hypothesis based on the data analysis that has been carried out is known that competitive advantage mediates the relationship of TQM on the performance of MSMEs significantly has a positive effect. The results of this study are also in line with previous research conducted by Firman (2021); (Irmadhani, Atika, & Junaidi, 2019); Hardiani, (2019); Minci, (2018) showed significant positive results between the influence of competitive advantage mediating the relationship of Total Quality Management on the performance of MSMEs.

Based on the results of interviews with MSME owners, researchers saw the influence of competitive advantage that was able to improve the relationship between Total Quality Management (TQM) and MSME performance. The various answers answered by MSME owners still lead to one direction, namely agreeing, that competitive advantage can mediate the effect of Total Quality Management (TQM) on MSME performance. Simultaneously, factors in Total Quality Management such as continuous improvement and factors in competitive advantage such as meeting customer expectations and satisfaction are in line with the increasing performance of MSMEs. If a company has good competitiveness, it can have an effect on increasing business performance and also the company strives to continue to provide good quality management through various innovation strategies so that consumers can feel satisfaction and put a sense of loyalty to the business (Hardiani, 2019).

Conclusion

Based on the results of the analysis with SmartPLS 3.0 that has been carried out, the conclusions that can be obtained are TQM on MSME performance, TQM on competitive advantage, competitive advantage on MSME performance and competitive advantage mediating the relationship of TQM on MSME performance. positive effect. Based on the results of the analysis of the tests that have been carried out, there are limitations that in the future can be improved by further research through the suggestions given by the researcher, as follows.

1. This study has a small number of samples and is limited to one particular area, namely Pademangan District, North Jakarta because the researchers are limited in cost and time. Therefore, for further research, it is suggested to be able to determine the number of samples more and expand the research sites such as the district/city level and the provincial level.
2. This research is limited to variables that affect the performance of SMEs only by using the Total Quality Management (TQM) variable and competitive advantage, it is recommended that further research be able to test more diverse variables, either adding variables or replacing other variables, such as entrepreneurial orientation, market orientation, Accounting Information Systems and so on. In addition, further research is

also recommended to test other topics such as Lean Six Sigma on the performance of SMEs.

3. This research is limited to research questions posed to MSME owners which are less specific and in-depth. Further research is suggested to be able to conduct in-depth interviews regarding the application of TQM to the performance of MSMEs and competitive advantage to MSME owners.

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