

Analysis of Organizational Performance in Confection SMEs in Sleman, Indonesia

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ABSTRACT

The purpose of this research was to determine the direct effect of entrepreneurial orientation, also the indirect effect of entrepreneurial orientation on the organizational performance of SMEs in the district Sleman through the mediating effect of TQM. This research was made using quantitative research methods using 53 confectionery businesses in Sleman Regency as the research population. The sampling technique in this study used census sampling. Data collection techniques were carried out using a questionnaire as a research instrument. From the results of research and data testing, it can be seen that the entrepreneurial orientation affects the *total quality management (TQM)* of the confectionery business in Sleman Regency, the entrepreneurial orientation affects the organizational performance of the confectionery business in Sleman Regency, *TQM* affects the performance organizational SMEs confection in Sleman, and there is the indirect effect of orientation entrepreneurial organizational performance through TQM

Keywords: Enterprise Confections, SME, Organizational Performance, Orientation Entrepreneurship, TQM

JEL Classification: M20, M21, M29

INTRODUCTION

One of the things that are a top priority in developing countries in carrying out their country's activities, namely national development, as well as the Indonesian state. One of the things that can be done to boost economic development is to develop SMEs. SMEs are business activities that can expand employment opportunities and provide broad economic services to the community, and can also play a role in the process of equity and increase people's income, encourage economic growth, and realize national economic stability. The more the establishment of Small and Medium Enterprises (SMEs), the business competition between SMEs will also increase, the growth of industries and companies is increasing, and to achieve their goals, both companies that have developed and companies that are newcomers, they will use a variety of strategies. in creating optimal company performance. The success of a business can be seen through the performance of the business. Performance (business/performance) refers to the level of achievement or achievement of the company within a certain period (Suci, 2009:23),

Organizational performance is still often ignored by SMEs, even though to know the extent of success in carrying out their activities. This is since SME actors often open and closes their businesses, change their businesses because they experience losses or are less attractive or even unable to compete with larger entrepreneurs. According to Prayheogo & Devie (2013) the measurement of organizational performance can be seen from the following indicators, namely, the ability to fulfill market share, the ability to create new products, the company is able to operate with maximum output, high productivity levels and is able to meet consumer needs. (Suryana, 2013:2) entrepreneurship is a scientific discipline that studies a person's values, abilities, and behavior in facing life's challenges and how to obtain opportunities with various risks that may be faced.

Entrepreneurial orientation is very important component in developing a business, it can be seen from the owners and managers in running their business that has shown innovative, proactive, and risk-taking behavior (Rauch et al, 2009) and the entrepreneurial orientation of an entrepreneur is considered to have a significant role in the success of a business so that the business can perform healthily (Prieto, 2010). The implementation of TQM in every company activity is a form of operating strategy to achieve competitive advantage through improving product quality to overall management quality. The product quality in question includes inputs, processes, and outputs produced by the company in the form of goods and services. To improve the quality of products and services produced, companies need to carry out quality control to ensure the quality of raw materials, production processes, and finished products by the required standards, quality can be measured through the level of satisfaction of consumers who use these products and services. Gaspersz (2011), that Total Quality Management (Total Quality Management) is defined as a way of continuously improving performance at every level of operation or process, in every functional area of an organization, using resources (human, capital, time, energy, information, etc.) are available.

Confectionery business is a clothing production business that is mass-produced. More specifically, the confection is a small household scale industry that is a place for making apparel, such as t-shirts, *polo shirts*, shirts, jackets, pants, and so on. Confection business is one type of business that never dies. Because confection products are always needed by humans from children to adults and even the elderly.

The challenge in the confection business that often occurs is the material for making clothes or uniforms. Although Indonesia has abundant natural resources, not all

materials can be obtained domestically, especially for quality materials, but must import them from abroad. This instability in the price of imported materials sometimes becomes an obstacle for convection entrepreneurs in making products, given the uncertain consumer demand.

This study provides new insights not only about the direct influence of entrepreneurial orientation but also the indirect effect of entrepreneurial orientation on the performance of SMEs in Sleman district through the mediating affect of TQM. Based on the description, research was conducted on organizational performance analysis in SMEs confection in Sleman Yogyakarta.

LITERATURE REVIEW

A. Organizational Performance

Organizational performance (*organizational performance*) is a measure of how efficient and effective the organization can achieve the goals that have been set, so effectiveness and efficiency are general criteria for performance organizational (Prawirosentono, 1999). Sahoo and Yadav, (2017) state that organizational performance measurement includes 4 indicators, namely:

- a. Design Performance
- b. Process Quality
- c. Product Quality
- d. Customer Satisfaction

From Sahoo and Yadav we can conclude that the performance of the organization is an indicator that can be achieved and reflects the success of the entrepreneur, in the definition of freedom, performance can be interpreted as a measure of the work by the rules and standards that apply to each work organization.

B. Entrepreneurial Orientation

Orientation is the behavior of entrepreneurs in managing their business (Norman and Thomas W, 2003: 5). in addition, entrepreneurial orientation is also defined as the orientation of companies that have principles in efforts to identify and exploit opportunities (Lumpkin and Dess, 1996). (Messegghem, 2003) suggests that entrepreneurial orientation is the company's ability to see new business opportunities and (Miller, 1982) defines entrepreneurial orientation as an orientation to be the first in terms of innovation in the market, have an attitude to take risks, and be proactive to changes that occur in the market. Entrepreneurship orientation is divided into 5 indicators, including: Lumpkin and Dess (1996)

- a. The nature of innovation
- b. Risk
- c. Proactive
- d. Competitive aggressiveness
- e. Autonomy

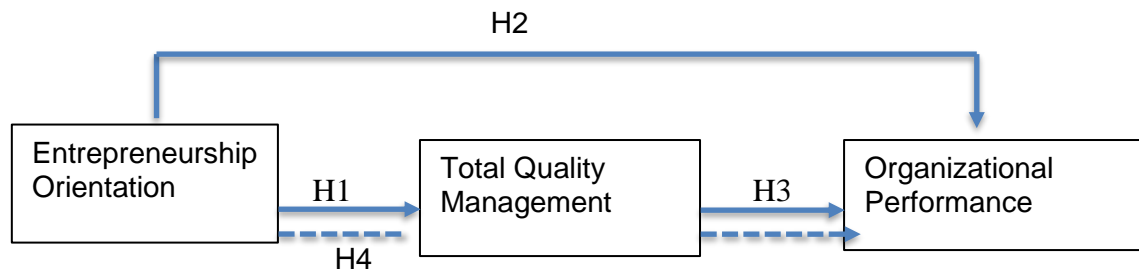
C. Total Quality Management (TQM)

Russell and Taylor (2000) Total Quality Management are the quality management activities the organization as a whole at all levels of management and functions (the management of quality throughout an organization at all management levels and across all areas). Total Quality Management has divided the top 5 indicators of Sahoo and Yadav (2017) include:

- a. Cross-Functional Product Design
- b. Quality Management Process
- c. Quality Empowerment

d. Employee Training

e. Information Quality



H1: Entrepreneurship Orientation positively influences *Total Quality Management*.

H2: Entrepreneurship Orientation positively influences Organizational Performance.

H3: *Total Quality Management* positively influences Organizational Performance.

H4: Entrepreneurial Orientation positively influences Organizational Performance with Total Quality Management for the effect of mediates

RESEARCH METHOD

This research was structured with several variables, including entrepreneurial orientation, *TQM*, and organizational performance using quantitative methods. The sampling technique in this study is a census sampling, which is a sampling technique when all members of the population are used as samples (Sugiyono, 2001: 61). 53 confectionery SMEs in Sleman Regency, Yogyakarta was the number of samples in this research. Regression Analysis and Path analysis is using in data analysis technique.

A. Validity Test

Table 1. Validity Test Results for Entrepreneurial Orientation

Variables	Question items were	Pearson Correlation	Sig. (2-tailed)	Description of
Entrepreneurial Orientation (X)	X1	.522	.000	Valid
	X2	.555	.000	Valid
	X3	.562	.000	Valid
	X4	.463	.000	Valid
	X5	.539	.000	Valid
	X6	.678	.000	Valid
	X7	.620	.000	Valid
	X8	.669	.000	Valid
	X9	.398	.000	Valid
	X10	.616	.000	Valid
	X11	.555	.000	Valid
	X12	.620	.000	Valid
	X13	.614	.000	Valid
	X14	.532	.000	Valid
	X15	.678	.000	valid
	X16	.724	.000	valid
	X17	.684	.000	valid
	X18	.541	.000	valid

Source: Processed Data *Output SPSS version 24*

Based on table 1 shows that the entrepreneurial orientation variables consisting of 18 questions have valid criteria with a significant value of 0.05.

Table 2. Validity Test Results for *Total Quality Management (TQM)*

Variable	Question items	Pearson Correlation	Sig. (2-tailed)	Description
	Z1	.615	.000	Valid
	Z2	.604	.000	Valid
	Z3	.586	.000	Valid
	Z4	.609	.000	Valid
	Z5	.569	.000	Valid
	Z6	.689	.000	valid
	Z7	.478	.000	valid
	Z8	.456	.001	valid
	Z9	.549	.000	valid
	Z10	.392	.004	valid
	Z11	.445	.001	valid
	Z12	.549	.000	valid
<i>Total Quality Management (TQM) (Z)</i>	Z13	.573	.000	valid
	Z14	.465	.000	valid
	Z15	.502	.000	Valid
	Z16	.490	.000	Valid
	Z17	.581	.000	Valid
	Z18	.553	.000	Valid
	Z19	.632	.000	Valid
	Z20	.674	.000	Valid
	Z21	.515	.000	Valid
	Z22	.501	.000	Valid
	Z23	.628	.000	Valid
	Z24	.618	.000	Valid
	Z25	.579	.000	Valid
	Z26	.65	.000	Valid

Source: Processed Data *Output SPSS version 24*

Based on table 2 shows that the variable *total quality management (TQM)* which consists of 26 questions has valid criteria with a significance value of 0.05.

Table 3. Validity Test Results of Organizational Performance

Variable	item Question	Pearson Correlation	Sig. (2-tailed)	Description
	Y1	.583	.000	Valid

Organizational performance (Y)	Y2	.737	.000	valid
	Y3	.589	.000	Valid
	Y4	.736	.000	Valid
	Y5	.660	.000	valid
	Y6	.641	.000	Valid
	Y7.	.576	.000	Valid
	Y8	.739	.000	Valid
	Y9	.534	.000	Valid
	Y10	.589	.000	valid
	Y11	.615	.000	Valid
	Y12	.520	.000	Valid
	Y13	.614	.000	valid
	Y14	.599	.000	Valid
	Y15	.631.	.000	valid
	Y16	.748	.000	valid

Source: Processed Data *Output SPSS* version 24 (2020)

Based on table 3 shows that the variable of organizational performance that consists of 16 questions has valid criteria with significant value $\leq 0,05$.

B. Reliability Test

Table 4. Reliability Test Results

Variable	Cronbach's Alpha	Description
Entrepreneurial Orientation	.889	Reliable
Total Quality Management (TQM)	.911	Reliable
Organizational Performance	.901	Reliable

Source: Processed Data *Output IBM SPSS* version 24 (2020)

Based on table 4, shows that in each variable have value in Cronbach alpha is greater than 0.6. This shows that all research variables can be declared reliable and can be used for further research

RESULTS

A. The Direct Effect of Entrepreneurial *Orientation* on TQM

Table 5.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	17,456	7,353		2.374	,021

Orientation Entrepreneursh i	1,186	,106	,844	11.23 6	,000
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Dependent Variable: TQM

Table 5 created regression equation as follows:

$$Z = 17.456 + 1,186X$$

Interpretation:

1. The constant value is 17.456. if the independent variable of entrepreneurial orientation is considered constant, then TQM is of good value.
2. Entrepreneurial orientation have regression coefficient at 1.186. if the entrepreneurial orientation is getting better, the *total quality management will increase*.

B. The Effect of Entrepreneurial Orientation and TQM on Organizational Performance

Table 6.

Model	Unstandardized Coefficients		Standardize d Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.572	5.412		-,290	,773
orientation, Enterprise	,358	,137	353	2,606	012
TQM,	,389	,098	539	3.980	,000

Dependent Variable: Organizational Performance

In Table 6 as a multiple linear regression equation as follows:

$$Y = - 1.572 + 0.358X + 0.389$$

Interpretation:

1. The constant value is -1.572. This value states that if the independent variable is entrepreneurial orientation and the intervening variable, namely TQM, is considered constant, then the organizational performance is of good value.
2. Entrepreneurial orientation have regression coefficient at 0.358. if the entrepreneurial orientation is getting better, the organizational performance will increase.
3. The regression coefficient for the variable has *total quality management* a positive value of 0.389. if the TQM is getting better, the organizational performance will increase.

C. Total Direct Effect and Indirect Effect

Direct effect, indirect effect and total effect of

1.variable X on Y	=	0.358
2. Indirect effect of variable X on Y through Z (1.186 x 0.389)		0.461
3. Total the effect of X on Y is		0.819.

The results of the above calculation show that the direct effect is 0.3585, the indirect effect is 0.461, and the total effect of X on Y is 0.819.

D. Hypothesis Testing

Hypothesis testing is done by using a standard of the significance of 0.05 ($\alpha = 5\%$). If the value is $>$ then it is not significant, so the hypothesis is rejected, if the value 0.05 means it is significant so that the hypothesis is accepted.

1. Testing the influence of Entrepreneurial Orientation on TQM

From the results of the regression analysis in table 5, the regression coefficient of entrepreneurial orientation is 1.186 with a t count of 11.236 at a significance level of 0.000 which is smaller than (0.000 $<$ 0.05) which means that entrepreneurial orientation has a positive effect on total quality management (TQM). (Proven Hypothesis).

2. From the results of the regression analysis in table 6, the regression coefficient of entrepreneurial orientation is 0.358 with a t count of 2.606 at a significance level of 0.012 which is smaller than (0.012 $<$ 0.05) which means that orientation entrepreneurial has a positive effect on organizational performance. (Proven Hypothesis)

3. Testing the effect of TQM on Organizational Performance

From the results of the regression analysis in table 6, the regression coefficient for total quality management is 0.389 with a t count of 3.980 at a significance level of 0.000 which is smaller than (0.000 $<$ 0.05) which means that the total quality management positively affects organizational performance. (Proven Hypothesis)

4. From the path analysis results, there is a direct influence of entrepreneurial orientation on organizational performance of 0.358 and an indirect effect of entrepreneurial orientation on performance organizational structure with total quality management as a mediating variable of 0.461. In this case, the indirect effect is greater than the direct effect, so total quality management mediates the effect of entrepreneurial orientation on organizational performance. (Proven Hypothesis).

DISCUSSION

A. To test the first hypothesis which states that entrepreneurial orientation has a significant effect on total quality management (TQM) in SMEs in Sleman Regency, Yogyakarta, regression analysis is performed. Based on the table, it is known that the regression coefficient of the entrepreneurial orientation variable has a positive and significant effect on total quality management (TQM) of 1.186 or 118.6%, which means H_0 is rejected and H_1 is accepted which means that entrepreneurial orientation positively affects total quality management (TQM). This illustrates that entrepreneurial orientation has a positive value. This means that increasing the entrepreneurial orientation, it will increase the total quality management (TQM) in confectionery SMEs in Sleman Regency, Yogyakarta. This is relevant to the research of Sahoo and Yadav (2017), where an entrepreneurial orientation has a positive effect on total quality management (TQM). This will help the implementation of the factor, TQM namely focusing on resources, and making continuous improvements to each product or service.

B. To test the second hypothesis which states that entrepreneurial orientation has a significant effect on organizational performance in SMEs in Sleman Regency, Yogyakarta, regression analysis was carried out. Based on the table, it is known that the regression coefficient of the entrepreneurial orientation variable has a positive and significant effect on organizational performance of 0.358 or 35.8%, which means H_0 is rejected and H_2 is accepted, which means that entrepreneurial orientation has a positive effect on organizational performance. This illustrates that entrepreneurial orientation has a positive value. This means that increasing the entrepreneurial orientation, will improve organizational performance in confectionery SMEs in Sleman Regency, Yogyakarta. This is relevant to the research of Sahoo and Yadav (2017), where an entrepreneurial orientation has a positive effect on organizational performance. The application of entrepreneurial orientation is explained to be able to provide new entrepreneurial opportunities which will later be used as capital to

compete with other business actors, through innovation, risk-taking, and being proactive, and making it possible for them to gain greater competitive advantage and achieve better organizational performance. The influence of entrepreneurial orientation in this study is because small-medium enterprises (SMEs) provide freedom of communication to their employees so that they can create a harmonious work environment. The creation of a harmonious work environment can increase a good entrepreneurial orientation to encourage good organizational performance as well.

- C. To test the third hypothesis which states that total quality management (TQM) has a significant effect on organizational performance in confectionery SMEs in Sleman Regency, Yogyakarta, an analysis was carried out regression. Based on the table, it is known that the regression coefficient of the entrepreneurial orientation variable has a positive and significant effect on performance organizational of 0.389 or 38.9% of which H0 is rejected and H3 is accepted which means that total quality management (TQM) positively affects organizational performance. This illustrates that total quality management (TQM) has a positive value. This means that increasing the entrepreneurial orientation, will improve organizational performance in confectionery SMEs in Sleman Regency, Yogyakarta. This is relevant to the future research of Saleh Hasan Al-Dhaafri, et al (2016) where the success of TQM is carried out in an organization will have a good influence on the organizational performance of an organization. The effect of total quality management (TQM) in this study is because the SMEs of Confection provide good employee training so that they can create competent human resources. The creation of competent human resources can improve good total quality management (TQM) to encourage good organizational performance as well.
- D. To test the fourth hypothesis which state that This is evidenced by the regression coefficient value of the indirect effect of entrepreneurial orientation on organizational performance through total quality management (TQM) of 0.461 or 46.1% and the direct influence of entrepreneurial orientation on organizational performance of 0.358 or 35.8%.

CONCLUSION

Based on the description of the data description and data analysis in this study, the following conclusions can be drawn: (1) Entrepreneurship orientation affects the *total Quality Management (TQM)*, (2). Entrepreneurship Orientation affects Organizational Performance, (3). *Total Quality Management (TQM)* affects Organizational Performance, (4). Entrepreneurial Orientation on Organizational Performance with TQM for the effect of mediates. Based on the results of the research, discussion and conclusions obtained, there are suggestions for confectionery SMEs, namely: (1). Confectionery SMEs should further increase their entrepreneurial orientation by innovating products, being firm in taking risks, being proactive in anticipating future opportunities, having responsiveness. aggressive towards competitors' actions, and able to act independently, (2). It is better if the confectionary SMEs improve *total quality management (TQM)* by carrying out the quality management process starting when the organization sets quality targets, then defines how the targets will be measured, training employees so that their performance becomes more optimal to achieve the goals of better confection SMEs, (3). Confectionary SMEs must improve product quality continuously and be able to meet consumer needs.

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DECLARATION OF CONFLICTING INTERESTS

The author declares that there is no conflict of interest.

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