THE EFFECT OF STRATEGIC PLANNING AND QUALITY CULTUREON EMPLOYEE PERFORMANCETOWARD TQM IMPLEMENTATION IN INDONESIAN GAS COMPANY

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Abstract- The globalization of markets, the increased of economic interpenetration and the interdependence between economic actors require companies to redesign and modify their competitive strategy. Therefore, in order to improve performance and meet the challenges of competition, companies must perform acts on improving the overall activities of the company with an emphasis on flexibility and quality. Empirical studies that examine the relationship between TQM practices and corporate performance have been encountered in many operations management literatures. Thus, it is commonly to found the relationship between TQM with business performance in the research literature. However, on the other hand studies that specify in linking between TQM and employees performance are still lacking and relatively small. Therefore, this study will specifically examine and analyze the practices of strategic planning and quality culture on total quality management (TQM) implementation on employee performance. Based on assessments of literature review, it can be concluded that quality culture play a major role in affecting both TQM implementation and employee performance. Therefore, the common effects of quality culture on TQM implementation and employee performance are expected to be greater. However, that study is remained outside the scope of this paper and left for further studies. Additionally to solve the confusing results on the effect of strategic planning and TQM implementation on employee performance is transferred to the future studies.

Keywords- Strategic Planning, Quality Culture, TQM Implementation, Employee Performance.

I. INTRODUCTION

A good company is a company who have clear goals based on the vision and mission that has been agreed by the founders. To realize these goals, it required a method commonly referred as 'strategy', which was then poured into the form of plans and policies, target of achievement and program of activities. In its implementation, it is possible that this elements change as the result of non-fulfillment of the assumptions used in the planning process, for example, lack of resources, abstract objective, and environmental change. To overcome these things, it is mandatory for every company to do thing which is called as 'planning', where within the companies scope are known as strategic planning. Strategic planning can help the company to conduct periodic evaluations to achieve company goal, can help the company to move forward and expand, and can help the company to increase their market share in sharp competitive environment (Allison, 2005).

Generally speaking, the company believes that in order to achieve competitive advantage, the company must seek a high individual performance, because basically individual performance affects the performance of a team or work group and by the end ultimately affect the company's overall performance. According to Prawirosentono (2000), performance is the result of work that can be achieved by a person or a group of people in a company, in accordance with their authority and responsibility, aiming to achieve corporate objectives legally and ethically. Assessment of performance usually based on a job description that has been compiled by company. As such, both the good or poor performance of employees can be seen by its ability to carry out tasks in accordance to the work they are assigning to.

The globalization of markets, the increased of economic interpenetration and the interdependence between economic actors require companies to redesign and modify their competitive strategy. Business in the 21st century will increasingly face challenges as consumers become more demanding and business environment are coupled up with the increasing rapid change of environment. In many industries, social and political change (such as AFTA, AEC) will increase the number and strength of new competitors from foreign countries. Thus it is required for the company to increase their quality of products and services. This is also one reason why the countries in the eastern region such as China, Vietnam and India can dominate a larger market share, because they can provide products and services with high quality at competitive prices. Therefore, in order to improve performance and meet the challenges of competition, companies must perform acts on improving the overall activities of the company with an emphasis on flexibility and quality.

Due to paradigm shift from 'market oriented' to 'resources oriented', company nowadays are required to reorganize its resources in order to survive in the long-term competitiveness. One is by implementing Total Quality Management (TQM) (Muluk, 2003). Since the early 1980's, TQM has received the most attention from the managers, since it is proven to improve the performance of the company. TQM constitute new paradigm in run business, which

sought in order to maximize company power competitiveness, company need to focus on customer satisfaction, through the involvement of all employees, and also through sustainable improvement on the quality of products, services, human, process and company environment (Krajewski & Ritzman, 2006). TQM constitute approach that should be done by company nowadays in order to fix product quality, lowering production costs and increasing their productivity. Implementing TQM also has positive impact on cost reduction and on revenue improvement (Gaspersz, 2005). Further evidence also show that a company that chase best practice TQM could reach higher profit and in the same time have a good cash flow as good as bigger companies (Corbett & Rastrick, 2000).

One of the Indonesian companies with good quality focus is AGI. Started as a Ducth company, AGI specializes in gas production since 1916. Its core business is to supply industrial gases and related services. AGI represented the pioneer in the Indonesian gas industry. AGI had achieved ISO 9001 certification since 2003 and recertified ISO 9001:2008 by SAI Global from 5 May 2009 as the company's commitment in quality and service. AGI has implemented quality management system from the beginning of its process: production process, product testing, bottling and filling process, distribution, strict documentation of activities, until the product reaches its customers.

Empirical studies that examine the relationship between TQM practices and corporate performance have been encountered in many operations management literatures. For example Demirbag et al. (2006) which were conducting empirical studies to identify factors that was critical to the success of TQM in SMEs Turkey. The research result showed that TQM practices proven to improve company performance. Prayogo and Hong (2008) which were conducted a study on the Research and Development unit in manufacturer industry in Korea found that the implementation of effective TQM practices have more significant effect on the performance of the company. Thus, it is commonly to found the relationship between TQM with business performance in the research literature. However, on the other hand studies that specify in linking between TQM and employees performance are still lacking and relatively small. Therefore, this study will specifically examine and analyze the practices of strategic planning and quality culture on total quality management (TQM) implementation on employee performance.

II. LITERATURES REVIEW

2.1. Strategic Planning

Strategic planning is the key to success that affects the performance of the company (Bokor, 1995; Ferdinand, 2002). This is due to the fact that strategy is an overall plan that describes the competitive position of a company (Quinn & Goold, 1990). However, not all businessmen successful with strategy they owned. The reason is related to its implementation. The process of developing a good strategy implementation should depart from the basic belief that the strategy must have the clarity and firmness of implementation to be performed (Varadarajan, 1999). The strategy implementation is a tangible manifestation of strategic planning by considering the resources. Thus, the strategy implementation is the process of actions planning (Hrebianak, 1993).

One of the ways used by the company to be competitive is by implementing TQM. TQM is an approach that can be used by companies to improve their product quality, increase their productivity and reduce their production costs. TQM can improve the competitiveness of the company through continuous improvement of product, labor, and environmental processes (Nasution, 2004), since the plan is measured by reference and written documents. TQM is not the final objective of company, but instead it is a way to transform and achieve organizational goals (Ariani, 2002). One of the company's goals is to increase the productivity of the company. Implementing TQM will give effect on companies' productivities, one of which is labor productivity. Labor is the most decisive factor on productivity levels because of two things. First, labor is the biggest part of the costs in the procurement of goods or services. Second, input on human resources are easier to measure compared to other factors such as capital inputs (Kussriyanto in Kintarti 2005).

2.2. Quality Culture

Quality culture is a pattern of values, beliefs, and expectations embedded and developed among member of companies about their work in order to produce qualify product and service (Hardjosoedarmo, 1999). A study of quality culture is often used to measure how far employees' awareness in conducting quality improvement principles and implementing those principles within the company the employee work for (Johnson, 2000). Nowadays quality had already fall into one important aspect of market global competition. Every company could increase their performance through continuous improvement on any business activity that focusing on consumers which emphasis on company's flexibility and quality. Therefore, quality culture and their implementation have always been associated with continuous improvement act in order to win the competition.

Goetsch and David (2000), defines the quality culture as a system of values generated from the environment that is conducive enough to continuously present and improve quality on an ongoing basis, which consists of values, traditions, procedures, and expectations to promote quality. The implementation of a quality

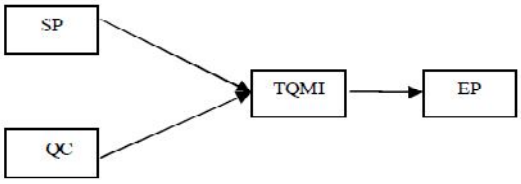
culture requires a paradigm shift to accept the changes and assess the various advantages of the change. It is completely contrary to the paradigm rejection of change, which wants the status quo and assesses the result of the change. Every company in doing their work should have a commitment to achieve total quality by involving employees in all aspects of planning and implementation in order to achieve their corporate goals. The actions to be undertaken by the management are doing change and how culture change toward the change.

2.3. Total Quality Management Implementation

Krajewski and Ritzman (2006) define TQM as philosophy management which tried to integrate all company function (marketing, finance, design, engineering, production, service consumer, etc) with focus on fulfilling consumer wants and achieving company goals. Furthermore, Tjiptono and Diana (2001) revealed that TQM is an approaches that help company to improve their productivity (performance quantitative), quality (lowered error and level damage), affectivity, efficiency (decrease resource through enhancement productivity), and everything else in an appropriate manner. Dale (2003) define TQM as a form of work which give win-win solution from all parties in company and is associate with business process in order to create valuable product and services that exceed the needs and wants of consumer expectations. Thus, TQM can be summed up as a strategy and integration management system that are implement in order to increase consumer satisfaction, with emphasis on the involvement of all managers and employees, as well as using quantitative methods (Bhat and Cozzolino, 1993).

According to Sila et al. (2007) TQM plays a very important role in increasing the strength of the company's competitiveness. In the global market that is changing continuously, besides prompt delivery, product quality is also one element that is essential for companies to be competitive. TQM is one of the best management practices for companies that emphasize on the overall quality paradigm in the company. Brah and Lim (2006) said that the performance of the company could be measured in two dimension performance namely: operational performance and organizational performance. Operational performance reflects the company's internal operating performance in terms of cost and waste reduction, product quality improvement, new product development, delivery performance improvement, and productivity improvement.

2.4. Hypothesis



H1: Strategic Planning (SP) significantly affect TQM Implementation (TQMI)
H2: Strategic Planning (SP) significantly affect Employee Performance (EP)
H3: Quality Culture (QC) significantly affects TQM implementation (TQMI)
H4: Quality Culture (QC) significantly affects Employee Performance (EP)
H5: TQM Implementation (TQMI) significantly affects Employee Performances (EP)

III. RESULTS AND DISCUSSION

To reveal the direct relationships between main factors that suggested in the hypotheses linear regression analysis was used. First, the linkages between strategic planning and quality culture on TQM implementation are tested. It is found that both strategic planning and quality culture have positive and significant effect on TQM implementation. Thus, H1 and H3 hypotheses are supported. The results of hypotheses H1 and H3 can be seen in Table 1.

Table 1. The Effect of Strategic Planning and Quality Culture on TQM Implementation

Dependent Variable	TQM Implementation		
	B	t	sig
Constant	.496		
Strategic Planning (H1)	.264	3.004	.003
Quality Culture (H2)	.627	5.192	.000
	R^2 = .362; F = 29.812; p < .001		

On the other hand it is found out that only quality culture that have positive and significant effect on employee performance, while strategic planning and TQM implementation are found to have positive but not significant effect on employee performance. Thus, H4 hypothesis is supported, while H2 and H5 hypotheses are not supported.

Table 2. The Effect of Strategic Planning, Quality Culture and TQM Implementation on Employee Performance

Dependent Variable	Employee Performance		
	B	t	sig
Constant	.614		
Strategic Planning (H2)	.101	1.420	.159
Quality Culture (H4)	.748	7.089	.000
TQM Implementation (H5)	.011	.149	.882
	R^2 = .473; F = 31.161; p < .001		

The present paper tries to empirically explain the effect of strategic planning, quality culture on employee performance toward TQM implementation. Based on hypotheses testing, it is found out that the dominant factor that effect TQM implementation is quality culture followed strategic planning. From a theoretical point of view, a positive impact of innovation on the business performance is expected. According to the findings researcher can say that to gain better TQM implementation, company should emphasize on quality culture more. Some experts argue that the success or failure of the implementation of TQM is largely influenced by cultural factors (Kekale, 1999; Parncharoen et al., 2005; Jabnoun & Sedrani, 2005; Kujala & Ullarank, 2004). This is because TQM is basically a program that requires organizational transformation that could only be achieved by changing organizational culture, processes, and beliefs (Parncharoen et al., 2005).

Evidence have given a remainder that the quality gurus such as Deming, Juran, Feigenbaum, Crosby and Ishikawa have suggested that companies wishing to implement TQM effectively have to have patience. It has been widely accepted that the TQM program is a long term program, as it takes time and effort to implement organizational change. Organizational change is most needed is related to this cultural change (Abraham et al., 1999; Adebanjo & Kehoe, 1999). Studies linking the implementation of TQM and organizational culture concluded that TQM is effective in developing a quality culture and cultural elements of the success of the process improvement (Gore, 1999). Besides the dimensions of culture, TQM implementation does have real contribution to improving quality performance and business performance (Parncharoen et al., 2005). Furthermore, management style that being supportive would also ensure effective implementation of TQM (Sayeh et al., 2005).

On the other hand the only significant factor on employee performance is quality culture, while strategic planning and TQM implementation found out to have not significant effect on employee performance. The term of planning is used in so many different ways that there is often confusion about what people actually mean when they talk about planning or when they use the words such plans and planner. Moreover, many of its uses are so broad that the basic elements of planning are difficult to identify, and it cannot easily be distinguished from related activities such as policy-making or plan implementation. Conyers and Hill (1984) defined planning as a continuous process which involves decisions or choices about alternative ways of using available resources, with the aim of achieving particular goals at some time in the future. Planning involves making decisions about which of a number of courses of action to adopt in order words, making choices, which is not possible to provide everything for everybody at once and that the plan represented the result of process of choosing which thing should be given priority attention. So, it can be concluded that planning means choosing between many desirable activities because not everything can be done at once.

Dessler (2001) stated that employee performance is an ongoing process that is not static involving many interrelated activities which must be modified and updated as conditions require. It includes the planning and development of human resource program, such as recruitment, performance appraisal, and training to ensure that people's needs in the organization are met. Generally speaking, this function should be called 'human resource planning and action programming'. Furthermore, a preliminary step in TQM implementation is to assess the organization's current reality. Relevant preconditions have to do with the organization's history, its current needs, precipitating events leading to TQM, and the existing employee quality of working life. If the current reality does not include important preconditions, TQM implementation will not lead to employee performance.

If an organization has a track record of effective responsiveness to the environment, and if it has been able to successfully change the way it operates when needed, TQM will be easier to implement and will lead to employee performance. However, if an organization has been historically reactive and has no skill at improving its operating systems, there will be both employee skepticism and a lack of skilled change agents. If this condition prevails, a comprehensive program of management and leadership development may be instituted. A management audit is a good assessment tool to identify current levels of organizational functioning and areas in need of change. An organization should be basically healthy before beginning TQM. If it has significant problems such as a very unstable funding base, weak administrative systems, lack of managerial skill, or poor employee morale, TQM would not be appropriate (Tichey, 1983), since it will not lead to employee performance.

However, a certain level of stress is probably desirable to initiate employee performance. Employee need to feel a need for a change. Kanter (1983) addresses this phenomenon be describing building blocks which are present in effective organizational change. These forces include departures from tradition, a crisis or galvanizing event, strategic decisions, individual "prime movers," and action vehicles. Departures from tradition are activities, usually at lower levels of the organization, which occur when entrepreneurs move outside the normal ways of operating to solve a problem. A crisis, if it is

not too disabling, can also help create a sense of urgency which can mobilize people to act. After a crisis, a leader may intervene strategically by articulating a new culture of the future to help the organization deal with it. A quality culture may be such a strategic decision. Such a leader may then become a prime mover, who takes charge in championing the new idea and showing others how it will help them get where they want to go. Finally, action vehicles are needed and mechanisms or structures to enable the change to occur and become institutionalized (Smith, 1993).

CONCLUSIONS

Based on assessments of literature review, it can be concluded that quality culture play a major role in affecting both TQM implementation and employee performance. Therefore, the common effects of quality culture on TQM implementation and employee performance are expected to be greater. However, that study is remained outside the scope of this paper and left for further studies. Additionally to solve the confusing results on the effect of strategic planning and TQM implementation on employee performance is transferred to the future studies.

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