THE EFFECT OF TOTAL QUALITY MANAGEMENT ON THE PERFORMANCE OF SMEs THROUGH MEDIATION VARIABLE OF ORGANIZATIONAL COMMITMENT

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Abstract: The purpose of this research is to analyze the impact of Total Quality Management (TQM) on Small-Medium Enterprise (SME) performance through organizational commitment mediation on tempeh chips SME in Sanan, Malang. The research use 30 SMEs sample as respondents, considering SMEs with PIRT and Halal certificates, data analysis was done with WarpPLS 5.0. The research result show that TQM has positive significant impact on SME organisasional commitment. Organizational commitment has significant impact on SME performance. The result also show that the organizational commitment does not mediate the significant impact of TQM on SME performance.

Keywords: total quality management, performance organization, commitment organizational, small medium enterprise

The number of SMEs in Indonesia in 2014 according to data from the Ministry of Cooperatives and SME reached 56.2 million units, and was capable of absorbing 97.2% workers from the total labor force. SME plays an important role in economic growth and in reducing unemployment and poverty. It also plays a role in foreign exchange earnings. SME is the primary or secondary source of income for many small to medium households in Indonesia, assisting society’s groups, including women, which are also the minorities.

The phenomenon that occurred in 2015, the world economy experienced a great shock and caused the exchange rate of rupiah against the dollar to weaken and affected the macro and micro sector. The business unit that is included in the micro sector of SME (Small and Medium Enterprises) is a business that is growing and driving economic stabilizer, resistant to the weakening of rupiah because many SMEs that use local raw materials and also strengthen the country’s economy. The existence of MEA at the end of 2015 will be an opportunity for SMEs to develop a range of economic quality in Southeast Asia in the development of free market. MEA is a good opportunity to demonstrate the quality and quantity of products and Human Resources (HR) of Indonesia to other countries openly, develop business and market products to foreign markets because trade barriers will tend to be decreasing and even do not exist.
However, on the other hand, MEA will be a threat for SMEs inside the country if the actors of SME are not prepared for the invasion of foreign products and are not able to compete. In addition, there are challenges to be faced by SMEs, like the increasingly sharp competition needs competent resources. SMEs need to increase their competitiveness as creative and innovative industries, improve their standards, design, and product quality of the packaging, to make it more attractive, in order to win the competition. TQM is expected to be used to improve the performance of SME. TQM can improve performance, particularly in SME Tempe chips in Sanan Malang, East Java, which now has been producing a variety of flavors and product packaging which is quite good. There are some SMEs which are already marketing their products outside the city and even abroad; therefore, it is necessary to apply TQM to produce better performance. Furthermore, research gap in this study is in line with the research which was conducted by Ahmad, et al. (2015), which found a significant relationship between the TQM practices and business performance, Bahri et al. (2012), stating that TQM practices do not affect the organization’s performance. Rahman et al. (2015) stated that organizational commitment does not influence the performance of the organization. TQM which can improve the performance of SME through organizational commitment is the result of the research which was conducted by Gonzalez, et al. (2013), stating that TQM, organizational commitment, employment, and performance’s organization has a positive and significant relationship.

The purpose of this study is to analyze the effect of total quality management (TQM) on the performance of small and medium enterprises (SMEs) through the mediation of organizational commitment of SME Tempe chips in Sanan Malang. The theoretical benefits of research are to increase knowledge about TQM, especially the effect on the performance of SME and to be a reference for future researchers in examining the same problem in the future, while the practical benefit is as input and suggestions, also considerations that can be obtained for those who concern about the same thing and SME food and drink in Malang city, from the reference knowledge about the influence of TQM on the performance of SME based on the organizational commitment factor.

LITERATURE REVIEW

Total Quality Management

According to Besterfield et al. (2003), TQM is a process for providing quality of products and services to customers by improving the productivity. The indicators of TQM are 1) Leadership, moving the members and activities of SME related to the targets which want to be achieved, the trained employees and the needs of SME. 2) Employee engagement, mutual respect, accepting the suggestions and input openly. 3) Customer satisfaction of employees, producing products like customers’ expectation, and being friendly to customers. 4) The relationship with employee suppliers, establishing a good relationship with suppliers, having good communication and giving trust. 5) Continual improvement.

Organizational Commitment

Allen and Mayers (1990) stated that organizational commitment consists of several indicators, which are affective commitment or members’ care, continuance commitment or ongoing commitment, normative commitment, and members who want to survive.

Performance of SME

The organizational performance of SMEs which refers to Russel (1993) is a performance that can be achieved by a group of members of the organization. The performance indicators of SMEs which are included in the output according to Russell (1993) are; Quality of performance is the process or the adjustment in the ideal way of doing the activities or doing activities as they are expected. Quantity of performance is the amount generated which is realized through the currency, the number of units, or the number of cycles of activities that have been finished. Time of performance is that the activity has been completed faster than the specified time and maximizing the time available for the other activities. Effectiveness of performance is the use of the resources of company in the form of human, financial, and technology, which are used maximumly to obtain the results of performance.
Framework of Research Concept

In a previous study, it was found that TQM influences the performance of the organization or company. The result of relevant study, including Bon and Mustafa (2012), has a positive relationship between the practice of TQM and innovation. According to Prajogo and Sohal (2006), TQM has a direct significant positive relationship to the Organizational Performance, which consists of (product quality, product innovation, and process innovation). However, there is a finding of a research in which TQM has a negative relationship. It was found in the research which was conducted by Bahri et al. (2012), the direct influence of TQM on organizational performance is not significant with negative coefficient.

The relevant research related to the indirect influence of TQM on organizational performance which is mediated by other variable is the research which was conducted by Bahri et al. (2012), stating that the indirect influence of TQM on organizational performance is positively significant through the culture of organization. Samuel and Zulkarnain (2013) stated that the implementation of SMM ISO can improve the performance of employees significantly through the culture of company’s quality as a mediating variable.

The practices of TQM can improve organizational commitment. It was proven by Chih and Lin (2007), whose research shows strong and positive relationship between leadership style, TQM, and organizational commitment. In addition, the finding about the importance of TQM implementation is followed by continuous improvement. The role of top management, customers’ focus, teamwork, and business commitment are the most important factors in organizational commitment. Other researchers, Hatak, et al. (2015), argued that product innovation gives positive contribution to the commitment of family company. The further researchers, Mendes, et al. (2014), suggest that with the results obtained, it confirms the idea that the adoption of TQM principles is associated with a more favorable attitude of organizational commitment and organizational citizenship behavior, the influence of TQM is significantly positive on organizational commitment.

Good organizational commitment, which is considered to be able to increase performance, has been studied by previous researchers, Hatak et al. (2015), suggesting that commitment gives positive contribution to the performance of the family company. Other researchers, Khan et al. (2010), state that there is a positive and significant influence between organizational commitment (affective commitment, continuance commitment and normative commitment) and Job Performance. Achievement at work emerged as a determinant of organizational commitment. Respondents’ answers to various questions indicate that employees feel comfortable in the work environment, and organizational commitment increases by showing a high performance. Based on the results of the previous studies, the hypotheses are:

\[ H_1 : \text{Total Quality Management influences the organizational performance of SME.} \]

\[ H_2 : \text{Total Quality Management influences the organizational commitment of SME.} \]

\[ H_3 : \text{Organizational commitment influences the organizational performance of SME.} \]

\[ H_4 : \text{Total Quality Management indirectly influences organizational performance through organizational commitment of SME.} \]

RESEARCH METHOD

This research used a quantitative and causal. According to Malhotra (2004), a quantitative study is a research methodology that aims to qualify the data, which is applied in particular statistical analysis. While the study design is a causal relationship, the concept of causality is when the relationship of the occurrence of X increases the opportunity of the occurrence of Y. Samples in this study are 30 SMEs which are engaged in tempe chips industries in the Sanan, Malang city. The sampling technique used is purposive sampling, by considering SMEs Tempe Chips which have PIRT and Halal certificates. Respondents who filled in the questionnaire are the leaders or the people in charge of SMEs. While the instrument used is questionnaire sheet by using a Likert scale. The data was analyzed by using Warp Partial Least Square 5.0.

FINDING

Description of Respondents’ Characteristics

From 30 SMEs tempe chips in Sanan, 60% of them were established between 2000 to 2009, 43.3%
of them have less than 5 employees, 63.3% of them market their products in Malang city, 76.7% of them have PIRT certificate, 66.7% of them have leaders between the ages of 30–50 years, 66.7% of them have the most female leaders, and 63.3% of them have leaders whose last completed education is high school education.

Result of Instrument Test

Validity test result shows that the result of $r_{\text{count}}$ of TQM in instrument number $X_{11}$ up to $X_{114}$, Organizational Commitment $Z_{11}$ up to $Z_{116}$, Performance of SME $Z_{21}$ up to $Z_{213}$, shows the value of > 0.30, so all instrument items are declared valid and able to measure what is desirable and reveal the data from the variables studied.

Cronbach’s Alpha value of TQM is 0.820, Organizational Commitment is 0.747, and Performance of SME is 0.854, meaning that the value > 0.60. It can be concluded that all the instruments are reliable in measuring the variables, and the further analysis can be done.

The Analysis Result of Partial Least Square

The Analysis Result of Measurement Model (Outer Model)

The analysis results of outer model for indicator reliability and consistency reliability indicator show the value of > 0.6 (Fomell and Larcker, 1981; Nunnally and Bernstein, 1994), then it can be concluded that all instrument items are reliable in measuring variable of TQM, Organizational Commitment and Performance of SME. The result of convergent validity and discriminant validity has a value of > 0.50 (Chin 2010). It can be concluded that variance of indicators can be explained and the model has good discriminant validity. The analysis result of Structural Model (Inner Model). The estimation result of the model in the form of a path can be seen in Figure 1.

In Figure 1, the path coefficients and p-values, it can be seen that the variable of TQM of SME gives direct and significant impact on the performance of SME with P-value generated <0.01. Variable of TQM of SME gives significant influence on Organizational Commitment with P-value obtained <0.01. Organizational Commitment gives significant effect on the performance of SME with P-value of <0.02. The analysis result shows the main effect, in which TQM gives significant effect on the performance of SME, thus the test of the effect of mediation can be continued. Index results of good of fit Inner Model are:

Goodness of Fit Model

In Table 2, it can be seen that the P value for the Average Path Coefficient (APC) is 0.001, Average
R-squared (ARS) is 0.030 and the Average Adjusted R-squared (AARS) is 0.047. All those three indicators show a significant result. The cut-off P-value for APC, ARS and AARS, which is recommended as the indication of fit model is > 0.05, or 5% (Kock, 2013).

The value of Q Square of the analysis result is that Commitment amounted to 0.194 and Organizational Performance of SMEs amounted to 0.398, if the value of Q Square which is generated by every endogenous variable > 0 (Stone (1974) and Geisser 1974), it means that the model has relevant predictive. The value of Average block VIF (AVIF) amounted to 1.148, and Average Full Collinearity VIF (AVFIF) amounted to 1.609, the value generated is <3.3, which means that there is no problem about multicolinearity between indicators and between latent variables. GoF which is produced refers to Tenenhaus, et al. (2005), which is 0.380 > 0.36, meaning that fit model is very good.

The index of Symons paradox (SPR) is 1, R-squared contribution ratio (RSCR) is 1, and nonlinear bivariate causality direction ratio (NLBCDR) produces 1, which indicates the ideal value. The result of statistical suppression ratio (SSR) value is 0.70, the value is rounded to 0.70, then the result is less than ideal. Thus, it means that there is no problem of causality in the model.

Result of Hypothesis Test

The result of test is presented in Table 1 below:

<table>
<thead>
<tr>
<th>H</th>
<th>Hubungan</th>
<th>Coefficients</th>
<th>P Value</th>
<th>Sig</th>
<th>Information</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>TQM ➔ Organizational Performance of SMEs</td>
<td>0.656</td>
<td>&lt; 0.001</td>
<td>0.05</td>
<td>Significant</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>TQM ➔ Organizational Commitment</td>
<td>-0.359</td>
<td>0.013</td>
<td>0.05</td>
<td>Significant</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>Organizational Commitment ➔ TQM</td>
<td>0.349</td>
<td>0.015</td>
<td>0.05</td>
<td>Significant</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4</td>
<td>TQM ➔ Organizational Performance of SMEs through Organizational Commitment</td>
<td>-0.125</td>
<td>0.155</td>
<td>0.05</td>
<td>Not Significant</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

\[ R^2_1 = 0.129 = 13\% \quad R^2_2 = 0.348 = 39\% \]

Source: Processed primary data (2016)

The result of hypothesis test in Table 1 can be explained as follows:

H1: TQM affects the organizational performance of SMEs. The analysis result shows the value of coefficient is 0.656 (positive), P value is less than 5% or 0.001 < 0.05, then the result of hypothesis H1 is accepted, so that TQM gives positive significant effect on the organizational performance of SMEs. It can be concluded that the more increasing TQM, the more significant effect it will give in improving the organizational performance of SMEs Tempe Chips.

H2: TQM affects the Organizational Commitment. The analysis result shows the coefficient value of -0.359 (negative), P value 0.013 < 0.05, then the result of hypothesis H2 is accepted, so that TQM gives significant negative effect on organizational commitment of SMEs. Thus, from the result of negative coefficient, it can be concluded that if TQM increases, it can decreases the organizational commitment and vice versa, if the organizational commitment increases, it can reduce the TQM.

H3: Organizational Commitment affects the organizational performance of SMEs. The results shows the coefficient value of 0.349 (positive), P-value 0.015 < 0.05, then the result of hypothesis H3 is accepted; therefore, the Organizational Commitment gives positive significant effect on the organizational performance of SME. It can be concluded the better Organizational Commitment, the more significant effect it will give in improving the organizational performance of SMEs.
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H4 : TQM gives indirect effect on Organizational Performance through Organizational Commitment of SME. The result shows that the coefficient value of -0.125 (negative), P value 0.155> 0.05, thus the hypothesis H4 is rejected, so that TQM gives no significant effect on the organizational performance of SME through the organizational commitment of SME with a negative coefficient. Therefore, organizational commitment does not mediate the influence of TQM on the organizational performance of SMEs Tempe Chips.

The analysis result shows that the value of R²₁ = 0.129 = 13%, meaning that the effect of variable of TQM in explaining the organizational commitment by 13% or the amount of the contribution of the influence of TQM in explaining the organizational commitment by 13%, and the remaining 87% is influenced by other variables outside this research model. The analysis result of the value of R²₂= 0.348 = 39% means that the level of contribution of the influence of TQM on the organizational performance of SMEs through organizational commitment by 39%, and the remaining 61% is influenced by other variables outside this research model.

Direct and Indirect Effect

The result of direct and indirect effect is presented in Table 2 below.

<table>
<thead>
<tr>
<th>No</th>
<th>Relationship</th>
<th>Amount of Effect</th>
<th>Sub Total</th>
<th>Total of Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>TQM→ Organizational Performance of SMEs</td>
<td>0.348</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>TQM→ Organizational Commitment</td>
<td>0.129</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Organizational Commitment → Organizational performance</td>
<td>0.040</td>
<td></td>
<td>0.517</td>
</tr>
<tr>
<td>4</td>
<td>TQM → organizational performance of SMEs through Organizational Commitment</td>
<td>-0.125</td>
<td>(-0.359x0.349)</td>
<td>-0.125</td>
</tr>
<tr>
<td></td>
<td>Total of Effect (f²)</td>
<td>0.392</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In Table 2, it can be seen that most of direct effect is shown by the direct effect of TQM on the Organizational Performance of SMEs. Total of direct effect amounted to 0.517, and indirect effect of TQM on the Organizational Performance of SMEs through Organizational Commitment amounted to -0.125, so the total of effect amounted to 0.392. The influence 0.392> 12.35 can be concluded that the amount of influence of TQM on Organizational Performance of SMEs Tempe Chips through Organizational Commitment is in the category of big.

Correlation between Variabel Indicators

The analysis results of correlation between the indicators of TQM on the organizational performance of SME. The correlation test between the indicators of the strongest influence shows indicators of customer satisfaction with the quality of 0.566 and continuous improvement with a quantity of 0.421. Correlation of the weakest indicators shows the employee involvement with effectiveness of work by 0.08 and employee involvement with quantity of 0.083.

TQM on Organizational Commitment. The greatest correlation among the strongest indicators is shown by the indicator of continuous improvement, with the normative commitment amounted to -0.472, and the relationship between suppliers and normative commitment amounted to -0.346. The weakest indicators are indicated by the relationship between suppliers and continuance commitment amounted to -0.026, leadership and continuance commitment amounted to -0.027, and employee engagement and continuance commitment amounted to – 0.027.
DISCUSSION

The analysis result shows that TQM gives a significant positive effect on the organizational performance of SMEs. Thus it can be interpreted that the more increasing TQM the more improving the organizational performance of SMEs. The strongest influence is shown by the correlation between the indicator of customer satisfaction and the quality and the indicator of continuous improvement and quantity. The descriptive analysis result of the highest average value of the indicator of TQM is demonstrated by customer satisfaction with excellent interpretation. It reflects that Tempe Chips produced by SMEs in Sanan are preferred and favored by customers, and the employees are also friendly in serving the customers. The finding of this research is also supported by Prajogo and Sohal (2006), stating that TQM has a direct significant positive relationship on the Organizational Performance, which consists of (product quality, product innovation, and process innovation), showing that there is effect of TQM on the organizational performance.

Another research which supports the finding of this research is Kwansik (1994), that finding shows that there is a positive and significant effect between the successes of TQM interaction with organizational performance. The difference that occurs is that variable of TQM is successful in the service of organizations, which is considered important rather than the manufacturing company. However, the finding about the effect of TQM on performance is not consistent with the research which was conducted by Bahri et al. (2012), that finding shows that there is no significant effect of TQM on organizational performance with a negative coefficient. This means that the implementation of TQM has no direct relationship to improve organizational performance.

The analysis shows that TQM gives significant negative effect on the Organizational Commitment of SMEs. It can be concluded that if TQM increases, it can decrease the organizational commitment, an otherwise, if the organizational commitment increases, it can reduce TQM. The negative effect is statistically due to the influence of suppression mediation. The ideal suppression index is 1, while the result of the analysis obtained is 0.70, thus it is considered less than ideal. When we refer to Spirtes et al (1993), if the value of the coefficient equal to or greater than the correlation value, then suppression occurs, this may cause negative effects. If it is linked to research negative effect, it may be caused by the respondents, who are subjective, because the ones who filled the questionnaires are the leaders or the people in charge of SMEs, whose most of the educational background <High School, aged between 30-50 years, and if TQM practices are implemented, they will find it complicated and difficult.

The greatest influence is shown by the correlation between the indicator of continuous improvement with normative commitment, and the relationship between suppliers and normative commitment. The highest descriptive average value of indicator in the variable of organizational commitment is the indicator of continuance commitment, with good interpretation. Supported by the theory of Basterfield, et al. (2003), TQM principles about continuous improvement have ongoing relationships with the members of SME, who are working hard to achieve organizational goals of SMEs. The finding of this research is not consistent with the finding of Mendes, et al. (2014), who found that TQM gives significant positive effect on organizational commitment. It shows that TQM can increase organizational commitment. The result also reinforces the opinion that using the principles of TQM is associated with improving organizational commitment. It is also not consistent with the research which was conducted by Gonzalez, et al. (2013), which strengthens the relationship between TQM and organizational commitment that employees who have a strong commitment to the company will feel that they belong to the organization they work in, in order to achieve organizational objectives. This shows that the members become part of the organization.

The analysis result shows that Organizational Commitment gives significant effect on the Organizational Performance of SMEs. It can be concluded that the more improving the Organizational Commitment, the more significant effect it will give to the
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organizational performance of SME. The greatest impact is shown by the continuance commitment to working time, and indicator of continuance commitment to the quantity of work. Descriptive analysis result shows that the average value of organizational commitment is good. The research result about the effect of Organizational Commitment on Organizational Performance of SMEs is consistent with the previous research which was conducted by Hatak, et al. (2015), finding that commitment gives positive contribution to the performance of the family company. Other researchers who support the result of this study are Khan et al. (2010), stating that there is a positive and significant influence between organizational commitment (affective commitment, continuance commitment and normative commitment) and Job Performance. Achievement at work emerges as a determinant of organizational commitment. Respondents’ answers to various questions indicate that employees feel comfortable in the work environment, and organizational commitment increases by showing great performance. The inconsistent result of study is shown by Rahman, et al. (2015), who found a correlation between affective commitment and achievement, also normative commitment and job performance is not significant with continuities commitment, organizational commitment does not give significant effect on performance.

The analysis result shows that the indirect influence of TQM to organizational performance through the mediation of organizational commitment of SMEs is not significant negative effect, thus TQM through organizational commitment cannot increase the influence of performance of SMEs significantly. Therefore, organizational commitment does not mediate the effect of TQM on the organizational performance of SMEs. This could be due to the negative influence of TQM with organisasional commitment. The research finding about indirect effect of TQM on organizational performance through mediation is not consistent with the research which was conducted by Bahri, et al. (2012), the indirect effect of TQM on organizational performance is significantly positive through organizational culture, which shows that TQM influences organizational performance through the mediating variable. Samuel and Zulkarnain (2013) argue that the implementation of SMM ISO indirectly can improve the performance of employees significantly through the culture of company’s quality as a mediating variable. The further researchers, Gonzalez, et al. (2013), state that there is positive significant relationship between TQM, organizational commitment and performance of the company. The result of human resources is very important to be able to implement TQM practices, thus it will improve organizational commitment and organizational performance of SMEs.

The result of the study is presented in the discussion above. It used the theoretical background of experts and scientific research methods, and it is also presented in a systematic way. However, there are limitations to this study. If there are found some limitations that require improvement, it can be improved in future studies. Limitations of this study include: The object of this study is limited to that which have PIRT and Halal certificates. The samples used are 30 SMEs Tempe Chips, which have PIRT or Halal certificate.

CONCLUSION AND SUGGESTION

Conclusion

Based on the result of analysis and the discussion, it can be concluded that the more increasing the TQM, the better the performance of SMEs Tempe Chips, and vice versa, if the performance of SMEs increases, it can increase the TQM. TQM practices in SMEs have been running well. It is demonstrated by customer satisfaction, in which the products of Tempe Chips produced by SMEs are preferred by customers. The more increasing TQM, the less the organizational commitment of SMEs, and vice versa, if organizational commitment increases, thus it can reduce TQM. The negative effects found are due to the people who responded to the questionnaire are the leaders or the people in charge of SMEs, so that it is subjective. Most of their educational background <high school between the ages of 30–50 years. If TQM practices are implemented, they will find it complicated and difficult. The better the organizational commitment, the better the performance of SMEs. High influence of organizational commitment is shown by keep working in the company. Thus, it can be said that the employees of SMEs Tempe Chips in Sanan are happy
to work in making Tempe Chips, but employees want to get higher salary to meet their needs of life. Organizational Commitment does not mediate the effect of TQM on the performance of SMEs Tempe Chips.

**Suggestion**

Based on the discussion and the correlation between the indicators, then the suggestions which can be given are SMEs should improve the quality of human resources by providing training to the employees, improve the relationship with suppliers or tempe supplier in order to maintain the good quality of tempe that is used; therefore, they can produce tasty, delicious and crunchy tempe chips. They also should always improve the appearance packaging, so that the chips are not easily damaged and attract customers. Leaders and the employees should set the targets of the products and also the marketing for a period of two to five years, so that the SMEs are more developed, advanced and can improve the welfare of their employees. SMEs should be able to improve their relationship with suppliers with considering the ingredients of Tempe which are good and delicious, in order to improve the quality of Tempe Chips produced. It also can increase the sales. For this time, employees in one SME move to another SME, they must look for biggest income. SME leaders should be able to improve their relationship with employees, so that the feel that they also have the SME they work in. SME leaders also should increase the salary of employees in order to make them keep working in their SMEs. The leaders of SMEs should be able to improve the communication with all members of SMEs in order to promote the progress of the work, by increasing the formal and non formal regular meetings like outing activity once a year, or religious activities such as monthly recitation, to encourage employees to participate in solving the problems in SMEs. Government should provide skill training for employees by using technology to improve work effectiveness. The Government, in this case is the Department of Cooperatives and SME Malang, should be able to provide training and give TQM certificate freely to SMEs, help promote products of tempe chips outside the region and even overseas, and call on the younger generation and the educated academic to establish and promote the organization of SMEs, given that most of SMEs tempe chips are mostly using local raw materials, which could survive when the rupiah weakens, can boost the economy and welfare of the society. The next researchers can conduct a research on the impact of TQM on organizational performance through organizational commitment. They can add another variable to SMEs in the other region or organizations, and increase the number of samples.

**REFERENCES**


The Effect of Total Quality Management on The Performance of SMEs Through Mediation Variable


