

## **Strategic human resource management practices: mediator of total quality management and competitiveness (a study on small and medium enterprises in kendari southeast sulawesi)**

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**ABSTRACT:** *The purpose of this study is to explore and test the influence of implementation of Total Quality Management (TQM) and Strategic Human Resource Management (SHRM) towards competitiveness. More specific purpose is to test the role of SHRM practices as a mediator of relationship between TQM practices and competitiveness. The design of this study used the survey method with data collection through questionnaire. Method of data analysis applied structural equation modeling. The results showed that TQM practices has significant influence toward SHRM practices and competitiveness. Furthermore, SHRM has positive and significant influence toward competitiveness. SHRM practices eventually proved to be a partial mediation link between the implementation of TQM practices and competitiveness. The practical implications of these studies provide knowledge and information for SMEs in an attempt to improve competitiveness through the application of the concept of TQM and SHRM. In addition it is expected to provide an understanding of new thinking in the effort to streamline the program empowerment of SME particularly in the furniture industry and other SMEs in Kendari Southeast Sulawesi Province. Originality of research can prove the test configuration model of integrated relationship between the implementation of TQM and SHRM practices to increased competitiveness. The role of mediation of SHRM practices proved significant influence on increasing competitiveness.*

**Keywords**—*Competitiveness, SHRM, Total Quality Management.*

### **I. INTRODUCTION**

Industrial development aimed at expanding employment opportunities, the distribution of job opportunities, increasing export in supporting regional development by making use of natural resources and energy as well as human resources. Meanwhile, the undeniable existence of competitive pressures in today's business world, companies are expected to always think about and cope with the environment that is constantly changing. The company must be able to respond to market conditions with high quality and innovative products in any changes in supply and demand as well as the possible flexible service [1,2]. A consequence of strict competition tends to lead to declining business competitiveness. The efforts to increase the competitiveness of businesses is a must and necessary to be done through the concept of TQM approaches and SHRM [3,4].

The Problems of increasing the competitiveness of SMEs in Indonesia become interesting and important to be examined. In fact, small and medium business has more complicated problem that rooted from the weak competence of business management aspects. Some barriers factors of small and medium enterprises are: weak finance and capital support system; lack market access ability, competitiveness and regulations of domestic and global markets; limited in information and length of distribution lines as well as weak bargaining power; weak in technology application; weak human resource quality such as competence, skills, work driven, entrepreneurial insight and standardization of products and services; complicated permit procedure in bureaucracy; and lending guarantor is not able to optimize serving SMEs [5]. Less effective empowerment efforts is due to several factors, such as generalization SMEs problems, one way empowerment direction that still rely on the roles of the government without active participation of SMEs in the development of their business while the empowerment effort does not touch the strategic aspects [6,7]. Development programs so far, tend to work in short term, that does not touch strategic efforts, which is the human resources insight and culture development in internal company as an important strategic asset in the improvement of competitive advantage fast turbulence business environment [2,6,8].

High competition among SMEs is indicated by the increase in demands of consumers who want a product is not only cheap but also quality, innovative and timely product according to customer demands that shows the importance of TQM and SHRM practices. Competitiveness is a key to improving the ability of

SMEs are: flexibility, innovation, quality and cost reductions [1,4,5]. The improvement the competitiveness of SMEs is associated with the concept of TQM approach is best alternative solutions. TQM is an approach in running business in order to maximize the competitiveness through continue quality improvement on the product, human resources, services, processes, and environment [3]. SMEs that have adopted practical concept of TQM could be explained as a combination of, the relationships between line system on the implementation of quality, that strongly related to competitiveness and performance. [9] prove empirically that there is a significant relationship between the application of TQM and business competitiveness. The Malcolm Baldrige National Quality Award adopts the findings in the TQM model. The results of research findings [10,11], showed that there is a significant difference between the companies that TQM practices against the non TQM company related to TQM practices key, the competitiveness of businesses that TQM practices shows that competitiveness and higher performance compared to non-company TQM. Results of study [3,9,12,13] showed that the application of TQM elements which include: leadership, people management, customer focus, strategic planning, information and analysis, and process management has a significant positive relationship to the business competitiveness.

The previous research showed that efforts to improve the competitiveness of SMEs, can be done in two ways, i.e., internally and externally. Internally the company's performance improvement can be done through TQM approach concept and functional of SHRM. In the practices of TQM and SHRM concepts became one needs in its implementation to optimize SMEs competitiveness. The above variables have strategic role as a key in the competitive improvement based on the ability to adopt TQM concepts and SHRM practices. Environmental activities of SMEs is expected to be dynamic, internal and external powers tend to encourage the change. The change and competitive pressures push the organization to change or adopt new strategies in order to improve competitiveness. Change of strategy will determine the direction of SMEs, including the human resources management function. It is undeniable that the attention to internal organization conditions (internal focus) can be done through human resources policy approach, that means the SMEs should anticipate the immediate changes in the environment through organization's consistency in applying the SHRM.

The SHRM practices should more proactive and responsive. All activities that carried out should anticipate the existing developments and take action against the business issues related to human resources management. SHRM has changed from specialty function that stand alone to a function that is integrated with all other functions in the organization, to achieve the targets that have been set. The change in functions and the focus of attention SHRM required the change in manager qualification in order to follow the developments and provide an appropriate response. [6] argues that there are SHRM best practices that contribute to competitiveness and organization performance according to strategic purpose. This view reflects the universalities perspective [8,14,15]. The develop argument is the existence "best practices" in SHRM approach [2, 6,8,15,16]. The measurement of strategy human resource management practice variable in the research uses five dimensions: recruitment (recruitment and selection), training and development (training and development) performance appraisal (valuation based on the results of the work), empowerment; flexible work arrangements that adopted from the theory of [17,18] and the results of research [2,3,6,7,8,16,19,26].

The results of empirical study support the organizational successes and failures in implementation of SHRM practices to improve the organization and performance of an employee. [6] in his research found out that the SHRM practice has a positive and significant influence to competitiveness and performance of the organization, this statement is also supported by the results of the study [2,3,7,15,16,19,26] that the higher the SHRM Practices increase the competitiveness and performance of the organization. The results of previous study showed the result gap [8] where SHRM practices directly does not significant influence competitiveness and performance of the organization. In contrary, competitiveness and performance organizational have significant influence to strategy human resource management practice. The argument of the results showed that research on small scale enterprise indicates that there is no significant direct relationship between the SHRM practices against organizational performance, because the attitudes and behavior of employees fully mediated the relationship between SHRM practices and organizational performance. Specifically, it showed that recruitment, training, promotion, and communications, are the most important SHRM to policy in improving employee satisfaction. Furthermore, the results of this study showed that SMEs not fully emphasis on innovation and quality strategy compared to service and manufacture organizations.

The difference in empirical study result regarding on the implementation of human resources management strategy can improved the competitiveness that the arguments can be perceived by researchers that the results of the study are due to the diversity of the measurement of indicator variables, the object being observed and theoretical foundations are used so that advanced research into the gap to make testing against these contradictions became important. The gap research in TQM and SHRM practices in an attempt to improved competitiveness is still a debate both theoretically as well as empirical studies. Therefore, some of the results of the empirical findings that the application of the concept of TQM and SHRM practices can improved

the competitiveness of businesses but there are still few studies that analyzed empirically and its measurement separately.

Furthermore, the key question in this study is the implementation of TQM on SHRM practices and the competitiveness of SMEs either directly or mediated by SHRM practices. Specifically, the problem of this study focused at: (a) whether implementation of TQM influence significant to SHRM practices and efforts to increase the competitiveness of SMEs in Kendari Southeast Sulawesi; (b) whether SHRM practices capable to play the role as a mediator the relationship between TQM and competitiveness. The purpose of this study is to prove and explain the influence of TQM practices strategies and increased SHRM competitiveness of SMEs. In addition, the test and explain the role of SHRM as a mediating the relationship between TQM Practices towards competitiveness. The contributions of this study are science development and to enrich the scientific inside of SHRM practices, TQM practices and competitiveness. SMEs is capable to implement TQM and SHRM practices in business activity will have the high competitiveness.

## **II. LITERATURE REVIEW, HYPOTHESES AND CONCEPTUAL MODEL**

The theoretical study of the thinking foundations of the study is derived from the theory of Resources-Based (RBV) [21]. RBV theory explained that the resources and capabilities are owned by the company that source of competitive advantage. Any company can create competitive advantage in resources that belong to the company are step, have a value, it is difficult or not be replicable and cannot be substituted. The core of the RBV approaches that companies are fundamentally different because it has a unique set of resources [22]. States the company can increase the benefits competitive if developing and utilizing a series of resources that are unique, valuable, rare, hard-to-spot and replaced [23]. Competitive advantage determine the accuracy of the company's activity that can support the performance of the company, if the implementation is good [24]. The competition is the ability that is unique on the company and hard to emulate [1].

The company have a sustainable competitive advantage if the company carried out the value creating strategy that is not implemented simultaneously by existing competitors or potential competitors as well as when other companies were not able to replicate [21]. The basic assumption of the resource based view is that resources within the company merged into one (bundles) and capabilities that underlie production does not equate one with the other. Resource based view is one approach in designing a strategy for the pursuit of excellence by using internal resources are owned by the company. Excellence is achieved when resources are only owned by the company or its competitors cannot easily replicate. It is necessary for the identified factors that affect the existence of the resources are of limited supply or from innovation efforts carried out continuously.

This research was conducted on SMEs based on the theory of RBV which is one of the strategies in utilizing a wide range of resources and capabilities typical of SMEs, which is worth, not rare, inimitable, and cannot be replaced by the company's competitors. The framework of the concept of research begins by explaining the competitiveness of invalid constructs which can be earned if the company is able to anticipate the uncertainty during the making of the product. The nature and evolution of the contribution of various uncertainties in the supply chain area is evaluated further by [1, 2, 3, 13, 15,16] which suggested that global competition, technological change with excellence in competition is the primary motivation of the organization in carrying out an approach to uncertainty. Generally, There are four indicators of research developed in measuring competitiveness, consist of : flexibility; quality; product innovation; cost reductions [1,9,25].

Strategy on human resource organization is the key factor for their organization and development in future pertaining to decision making. [17] point out that there are the powerful relationship between strategy implementation of human resources to career and employees performance. In articles written by [14] represented a dramatic shifts in these management human resources. Shifting the widely associated with HRM focus on analysis micro toward analysis that is both more macro with perspective strategy. Strategy perspective push the appearance of role SHRM. The role is more important in good organization manufacturing or services, similarly organization private and public. SHRM role growing, grow and spread and increasingly critical in strategy and business [6,7,8,19,26]. The perspective of RBV [21] argued that human resource capabilities are potential resources for a sustainable competitive advantage for the organization. It is described as a human resources capabilities can help companies gain a competitive advantage with the SHRM practices encourage a focus on performance improvements. [6] argues that there are best practices management of human resources that will contribute to organizational performance according to their strategic goals. This view reflects the perspective of universalistic [8,14,15. Argumentation is the existence of the "best" practices in strategic approach to HRM [3,6,7,8,19,26].

The perspective of the universalistic are considered that the reality explanation is to simple. The next sight that saw the interaction is more complex than a simple linear relationship depicted by the perspective of the universalistic. The next perspective is adopts the perspective of contingency [3,6,7,8,14,19,26]. This perspective suggests that the relationship between the independent variable and the dependent variable is

relevant variable rates will be different for different critical contingency. This perspective requires the researcher to choose a variable for further specifying how the practice of shared human resources individually will interact with contingency variables to improved competitiveness.

This research seeks to articulate and combines both of these perspectives, universalistic and contingencies in empirical research. SHRM and TQM practices was selected as the conception of the work in each perspective and competitiveness as outcomes in this study. Previous research has been done by [6,8,14] which includes three perspectives: universalistic, contingencies and configuration. This study adopted the previous research carried out to break somewhat ever examined by [6,8] on two perspectives is universalistic and contingencies. The measurement of variable SHRM practices in this study uses three indicators are: training and development, performance appraisal, and empowerment is adopted from the theory advanced by [17,18] and the results studies of [2,3,6,7,8,19,20]. TQM is an improvements concept that are implemented on an ongoing basis (continuous improvement), which involves the entire element and employees at every level of the organization in order to achieve the best quality in all aspects of the Organization through the process of management. [27] managing of quality or the integrated TQM is defined as a way of improving performance on an ongoing basis (continues performance improvement) at every level of operations or processes, in each functional area of an organization, by using all the resources and capital available.

The concept of TQM as a philosophy that encompasses the concepts, methods, tools and techniques to form language that can be understood and applied as a business strategy in “top-floor and as functional strategies on up-floor [12]. This approach helps organizations to integrate business activities in leadership, people management, customer focus, planning, quality assurance, and information processing and analysis. This activity when linked together will lead to support the attainment of world-class performance can support in customer satisfaction, relationships, operation performance and business performance. [28] argues that to form a new competitiveness, many companies have adopted practically TQM. TQM practices is described as a merger, the relationships between line system on the application of the quality, which is closely related to improving the competitiveness and performance of the organization.

Based on the definition of TQM and the concept expressed by the experts above, TQM generally presents a set of management principles that focus on quality improvements on an ongoing basis continuous improvement, as traction power on all sectors of the functions and levels of the organization. Principles of TQM in among others is the quality specified by customers, leadership, manager, strategic planning, the responsibility of employees, continuous improvements, the business cooperation, and control. The application of TQM elements in this study include are: leadership, people management, customer focus, process management, strategic planning, information and analysis [3,10,12,130]. The results obtained show that there is a significant difference between companies who implement TQM with the company's non-implementation of key TQM deals with TQM and productivity at companies who TQM practices showed higher productivity compared to non-company TQM. Similar empirical findings with [29], which suggests that a significant relationship between the applicant's quality system and the business competitiveness. Stating that TQM practices has become a staple on the business strategies of the leading organizations in the world [12]. The main findings from the study that the TQM practices has significant relationships and a positive influence to the overall indicators of the organization's performance include are: business performance, operational performance, productivity and competitiveness.

Competitiveness or competitive advantage comes from many different activities undertaken by the company in the design, produce, market, deliver and support its production. Competition is the core of the success or failure of SMEs. The theory of competitive advantage is based on the idea that success business influenced by the unique capabilities and resources of the company itself and is hard to emulate [1] competitiveness is the core of the company's performance in the competitive market. Competitiveness determines the accuracy of the company's activity that can support the SMEs, if implemented well [24]. Competing strategy is an auspicious position vying searches. Competing strategy aims to uphold the position of profitable and can withstand the forces of industry competition. Based on theoretical arguments and research results of previous research, then the hypothesis proposed in this study as follows:

- H1. TQM practices will be positively associated with competitiveness
- H2. TQM practices will be positively associated with SHRM practices
- H3. SHRM practices will be positively associated with competitiveness
- H4. The associations between TQM practices and competitiveness will be mediated by SHRM practices

Based on theoretical and empirical studies, conceptual models and hypotheses of research can be presented in summary in **Figure 1**.

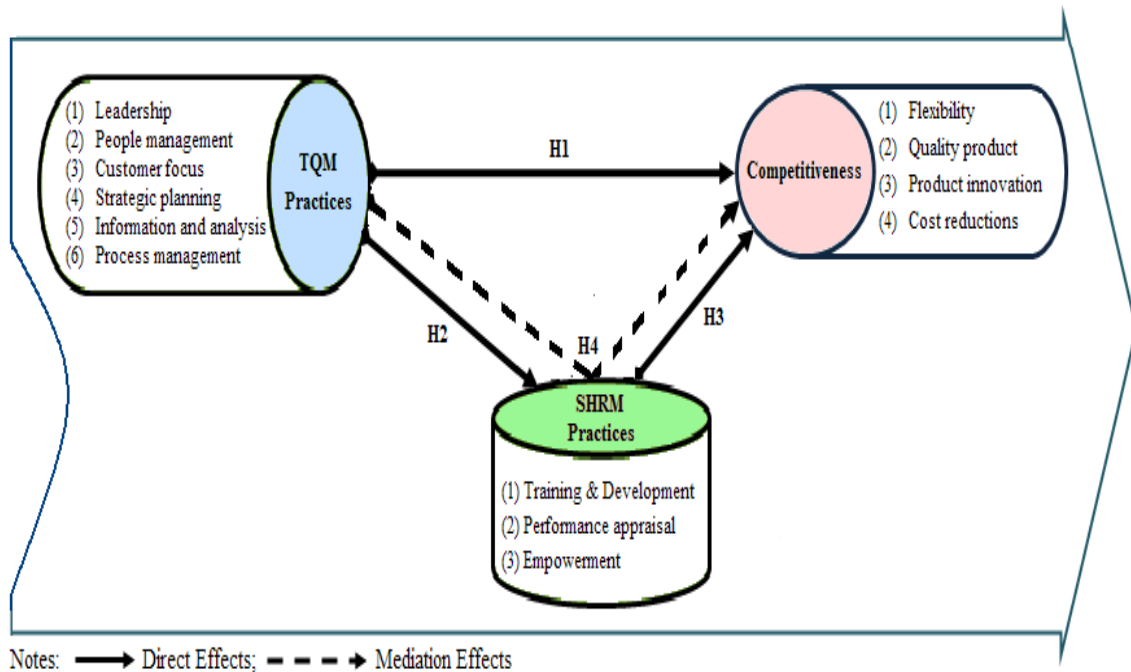


Figure 1. Conceptual model and research hypotheses

### III. RESEARCH METHODS

#### 3.1 Population and Sample

The design of this study used explanatory research approach. Therefore this study proves and explains the implementation of TQM and SHRM practices towards improvement of SMEs businesses competitiveness in Southeast Sulawesi, particularly on furniture industry. Considerations of choosing furniture industry because it is one of the industry sectors that contribute to industry with comparative advantages in the growth of GDP; non fuel export commodity that generate considerable foreign exchange; the human resources potential as employment source; local culture with concentrated on the brotherhood (*Kalo*). The population of this study is the entire 91 furniture industry in Kendari Southeast Sulawesi that spread over 6 sub districts [42,44]. Because the population is relatively accessible and homogeneous, then the samples withdrawal in this study applied purposive sampling, where the sample is determine at 60% of the whole furniture industry 55 companies. Subsequently, every furniture industry represented by 2 respondents, thus there are 110 respondents in all. The respondents are company director, operations manager or other individual with same level with them who directly involved in company operation or as a mediator who bridges the relationship and coordination either inter functions in the company or with other party especially the supplier.

#### 3.2 Data collection and Measurement

Data collection research using the triangulation method. Firstly, review of literature was conducted to examine the theories or the results of previous study, that relevant with the measurement used in this study. Secondly, the collection of data used questionnaires, that distributed to the managers at every furniture company. The distribution is conducted by company visit and explain the questionnaire while the researcher wait the respondent to fill up the questionnaires or the researcher fetched the questionnaire from the company. Finally, the researcher conduct in-depth interview to fine tune the information. Therefore this technique support and reveal the facts behind quantitative analysis information. Method used in-depth interview data collection refers to [43]. There are two ways In-depth interviews, i.e. closed-open interviews and documentation interview result. Informants who are willing to be interviewed until the ends of the study are 20 Manager. The more detailed interviews carried out by researchers where the respondents are considered to be able to explain the substance of this study.

The measurement of data from all research variables used the Likert scale. The determination Likert scale in this study used a 1 to 5 level scale for all variable. A five-point Likert scale was employed with a score of 1, indicating “strongly disagree”, and 5, representing “strongly agree”, to extract the different attitudes of respondents [30,31]. The method of data analysis is descriptive and inferential statistical using Structural Equation Modeling (SEM) with AMOS (Analysis Of Structural Moment) software version 16 and computer program SPSS version 16 for Windows. The reasons to use SEM (AMOS) are: this study using latent variables are measured through indicators; SEM is a multivariate analysis technique that enable to conduct a series of analysis from latent variables simultaneously that provide efficiency statistically. [32] state eligibility test model

is equivalent to the confirmatory analysis, test parameters being estimated equivalent of regression, and determine the dominant influence on par with the analysis path. Other advantages of the SEM compare to others multivariate analysis techniques because of the latent variables included in the model of measurement exogenous latent variable errors is included in latent variable.

**IV. ANALYSIS AND RESULTS**

The description of respondent's statement in Table 1 that showed in mean value indicate that the application of TQM practices is the concept of TQM in performing the activity of the furniture industry that refers to the better concept and continuous improvement, on every operations and process level, that involve all element and employees in every level of organization to achieve the best quality in all aspects of the Organization through the utilization of the existing resources. The mean response of the respondent toward TQM practices variables is 3.24 that means TQM implementation can be defined according to Director and Manager on the furniture industry in the city of Kendari has a majority is neutral. The result concluded that TQM practices indicators that is measured through are: leadership, people management, customer focus, strategic planning, information and analysis, and process management in totality has yet to be practices in order to increase the company competitiveness. SHRM practices performed by furniture industry. The assessment of SHRM practices variable in furniture industry the majority of the respondents neutral shown the average value of the three indicators measurement variable SHRM practices 2.98 can explain SHRM on furniture industry been implemented according to the existing theory, but limited to three components of the SHRM practices consist of training, empowerment, and performance appraisal.

The business competitiveness created by capabilities indicators of every furniture industry in create and maintain superiority against the competitors. The respondents response on the furniture industry competitiveness variable indicators in the city of Kendari mostly neutral indicate by the average value of the fourth competitiveness measurement indicators which is 3.01. From fourth indicators of competitive advantage measurement on the industrial furniture in the city of Kendari Southeast Sulawesi, the highest indicator is cost reduction. It undeniable that any company in the future are able to compete by reducing the cost without sacrificing the quality of the product.

**Table 1. Mean, Loading Factor, Reliability Construct and Variance Extracted**

| Constructs/Indicators                             | Mean        | Loading Factor | Reliability construct | Variance extracted |
|---|-------------|----------------|-----------------------|--------------------|
| <b>TQM Practices (QM):</b>                        | <b>3.24</b> |                | <b>0.992</b>          | <b>0.952</b>       |
| <b>QM<sub>1</sub>. Leadership</b>                 | <b>3.23</b> | <b>0.898 *</b> |                       |                    |
| <b>QM<sub>2</sub>. People management</b>          | <b>3.28</b> | <b>0.925 *</b> |                       |                    |
| <b>QM<sub>3</sub>. Customer focus</b>             | <b>3.33</b> | <b>0.910 *</b> |                       |                    |
| <b>QM<sub>4</sub>. Strategic planning</b>         | <b>3.26</b> | <b>0.850 *</b> |                       |                    |
| <b>QM<sub>5</sub>. Information and analysis</b>   | <b>3.23</b> | <b>0.902 *</b> |                       |                    |
| <b>QM<sub>6</sub>. Process management</b>         | <b>3.10</b> | <b>0.894 *</b> |                       |                    |
| <b>SHRM Practices (HR):</b>                       | <b>2.98</b> |                | <b>0.934</b>          | <b>0.829</b>       |
| <b>HR<sub>1</sub>. Training &amp; Development</b> | <b>2.99</b> | <b>0.833 *</b> |                       |                    |
| <b>HR<sub>2</sub>. Performance appraisal</b>      | <b>2.97</b> | <b>0.601 *</b> |                       |                    |
| <b>HR<sub>3</sub>. Empowerment</b>                | <b>2.98</b> | <b>0.933 *</b> |                       |                    |
| <b>Competitiveness (C):</b>                       | <b>3.01</b> |                | <b>0.962</b>          | <b>0.862</b>       |
| <b>C<sub>1</sub>. Flexibility</b>                 | <b>3.08</b> | <b>0.694 *</b> |                       |                    |
| <b>C<sub>2</sub>. Quality product</b>             | <b>2.88</b> | <b>0.753 *</b> |                       |                    |
| <b>C<sub>3</sub>. Product innovation</b>          | <b>2.96</b> | <b>0.785 *</b> |                       |                    |
| <b>C<sub>4</sub>. Cost reductions</b>             | <b>3.13</b> | <b>0.805 *</b> |                       |                    |

Note: \* = significant at  $\alpha < .05$ ; loading factor > 0.60; reliability construct and variance extracted > 0.70

The results of the analysis of Measurement Model in Table 1 showed the test with the confirmatory factor analysis using loading factor significance test (loading factor) because to test the latent variable that used to confirm the variables that can be together with other variables explain that explain the latent variable by using the criterion of value of loading factor that required (cut-off point) must achieve  $\geq 0.60$  [32]. When the value of loading factor lower than 0.60 is considered that indicator of the formation of variable dimension is not equal to the other indicator variables to explain a latent variable. Measurement Model of confirmatory factor analysis aims at asses the indicator variables that explain an invalid constructs or latent variable cannot be

indirect measured. The analysis of indicators that are used is tested in order to give the meaning of the label that given to confirmatory latent variable.

Measurement Model of confirmatory factor analysis of variables the TQM practices, confirmed that the six indicator variables that have a great role or contribution in latent variables reflect the of TQM practices in the furniture Industry in the city of Kendari Southeast Sulawesi is the indicator variable with the value of people management loading factor of 0.925. Therefore, the customer focus have a role or the second largest contribution in the formation of latent variables with the value of TQM practices factor loading of 0.910. Followed by the indicator variable of information analysis and leadership with a loading factor value of 0.902 and 0.898. Next in this study the fourth reflects the latent variable TQM practices is an indicator variable Process Management that is measured based on the assessment of managers and leaders in the furniture Industry in the town of Kendari has value loading factor of 0.894. Contributions or the smallest role in the formation of latent variables the implementation of TQM practices in this research is the strategic planning that has a value of loading factor of 0.850. Therefore, based on the results of the current study that variable indicators of strategic planning based on the assessment of the chairman or manager still needs to get serious attention from the furniture industry management in the city of Kendari Southeast Sulawesi. The results of the analysis of the confirmatory factor that six indicator variable which reflects the implementation of TQM as a whole has a loading factor value is still above the cut off value = 0.60 indicated that a positive correlation between all indicator variable with the variable factors that reflect the of TQM practices, which has a range of interval between 0.850 to 0.925. So it means that the more enhanced the implementation of TQM in the furniture Industry in the city of Kendari Southeast Sulawesi consisting of: leadership, people management, customer focus, strategic planning, information and analysis.

Confirmatory factor analysis of variables SHRM practices, confirmed three indicator variables that have the greatest contribution to the reflect the latent variable SHRM practices on SMEs furniture that the value of loading factor of empowerment indicator variable is 0.933, therefore, the value of loading factors of training is 0.833. Further indicators of performance appraisal have loading factor variable = 0.601. So an indicator variable empowerment has the contribution of latent variables in SHRM practices reflects. The confirmatory factor analysis of latent variable indicator third formation of SHRM practices as a whole has a value of loading factor is still above the cutoff point 0.601 indicates the correlation between all variables are positive by a factor of formation of latent variables which SHRM practices has an intervals range of loading factor value between 0.601 to 0.933. It can be interpreted progressively enhanced SHRM practices include indicator are: training; empowerment; and performance appraisal has an effect on the competitiveness of SMEs businesses in the town of Kendari Southeast Sulawesi.

The competitiveness variables has four indicator variables that has an important role or contribution of latent variables reflect the greatest competitiveness on furniture industry is an indicator variable flexibility, i.e. the company's capabilities in serving the request with the existence of specific changes in both cost reductions that has a value of loading factor of 0.805 in latent variables reflect the competitiveness. Following variable indicators of innovation is the ability of companies in designing or creating modern products according to the needs and wants of consumers on the future that the value of loading factor is 0.785. Then the indicator variable quality is the company's ability to make high quality product consistently according to the wishes of the customer that has a value of loading factor of 0.753 and flexibility of loading factor of 0.694. While the indicator variables that have a role in the small contribution variable reflecting the competitiveness of enterprises is the cost reductions that company has an ability to produce a product. The results of the third confirmatory factor analysis of indicators latent variables which reflect the overall competitiveness of the loading factor value is still above the limiting rate which indicating that the positive correlation between all indicators with variable factors are mirrored by the latent variables of competitiveness that have range interval loading factor value between 0.694 to 0.805. Can be interpreted progressively enhanced the competitiveness of enterprises in furniture industry in Kendari include indicator are: flexibility, innovation, quality and cost reductions supported the implementation of TQM practices and application of high SHRM to stay high over the product competitive power generated on the furniture industry in Kendari Southeast Sulawesi.

Further test results late-model appears in Figure 2 and Table 2. Table 2 shows the structural model built in this study is acceptable even though with varying limitations in accordance with the data of observation results, indicated by the value of the Chi square ( $X^2$ ) = 38.188 and probability = 0.327 means not significant at probability  $\alpha = 0.05$ . Then RMSEA = 0.029  $\leq$  0,08 and the value of GFI, TLI, NFI and CFI are all above the cut-off value it required as a structural model that is fit  $\geq$  0.90. but the value of AGFI = 0.870 under the number of required a structural model. According to the principle of parsimony [32] that if there are one or two criteria for goodness of fit which has fulfilled the expected value, then the model can be said to have good or model development hypothesis conceptually and theoretically can be said to be supported by empirical data. Thus it can be concluded that the structural model built in this research is in compliance with the results of observations so to allow to analysis of measurement model structural relationships.

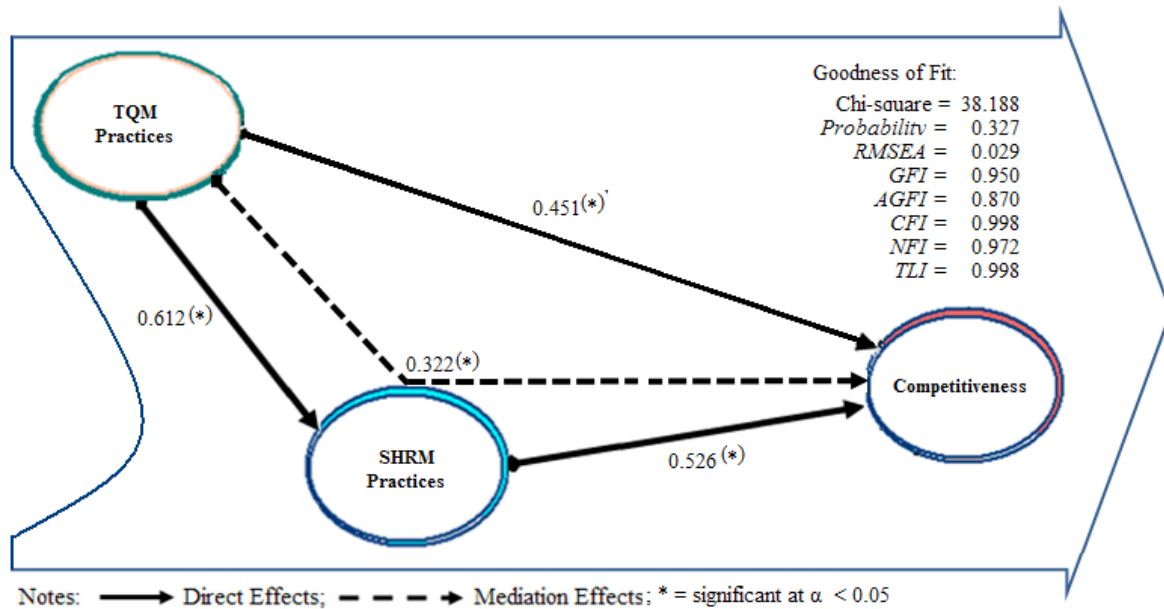


Figure 2. Diagram for hypothesis testing and path coefficient

The structural relations model test carried out after the structural model built in accordance with the results of the observation and the suitability of the structural model index. The purpose tested of structural relationship models to relationship between latent variables or indicators of relationship with fellow latent variables that are designed. In this study there are four structural relationships that the three direct links and one an indirect relationship. An indirect relationship is SHRM practices as mediation of relationship between the implementation of TQM to competitiveness. While the three direct relationship, consist of: (1) implementation of TQM to the SHRM practices; (2) the implementation of TQM to the competitiveness of undertakings; and (3) SHRM competitiveness effort. Figure 2. Showing fourth relations built in this work as a whole had links significant either directly or indirectly of a variable latent observed. The result analysis model structural above built as a basis for analyzing the relations between variables latent and the testing of hypotheses first served value standardized weights regression with the purpose to know the relation between variables latent and rate significant relations causality.

Table 2 Hypothesis testing and path coefficient

| Direct Influence                          |                                  | Path Coefficients | C.R              | P-value          | Empirical Evidence  |                      |
|---|----------------------------------|-------------------|------------------|------------------|---------------------|----------------------|
| H1  | TQM Practices → Competitiveness  | 0.451             | 2.557            | 0.011            | Significant         | Accepted             |
| H2  | TQM Practices → Practices SHRM   | 0.612             | 6.230            | 0.000            | Significant         | Accepted             |
| H3  | SHRM Practices → Competitiveness | 0.526             | 2.191            | 0.028            | Significant         | Accepted             |
| Test For The Impact of Mediating Variable |                                  |                   |                  |                  |                     |                      |
| Exogenous                                 |                                  | Mediation         | Endogenous       | Path Coefficient | Nature of Mediation | Empirical Evidence   |
| H4  | TQM Practices →                  | SHRM Practices →  | Competitive ness | 0.322            | Partial Mediation   | Significant Accepted |

Note: p-value = significant at  $\alpha < 0.05$

The results of data analysis proved that business competitiveness is determined by SHRM practices in increasing the competitiveness of enterprises in the furniture industry in the city of Kendari Southeast Sulawesi.. The furniture industry has a good strategy because the SHRM practices support TQM implementation will create business opportunities to remain competitive in the future. An indirect relationship that SHRM practices mediated acts as relationship between the implementation of TQM and competitiveness. The results of tested the influence of direct and indirect component, total effects between latent variables in this study are presented in table 2, confirmed that SHRM plays the role of mediating relationship between the TQM practices to the



competitiveness of undertakings and significant positive influence. SHRM practices shot as variables between which connects and strengthens the influence of the TQM practices to the competitiveness of business. The changes improved the implementation of TQM has a positive and significant influence to HRM then ultimately increases competitive advantage in the future on the furniture Industry in Kendari Southeast Sulawesi.

## V. DISCUSSION

The results of testing the feasibility of a structural model that is designed and being estimated in this study proved in accordance with the data of observation results. Of the three direct links that allegedly proved positive and significant effect in mind. Therefore, indirect relationship that the role of mediation Strategies as the relationship between the SHRM practices of TQM to the competitiveness of businesses that are hypothesized to have proven to be a positive and significant influence. A discussion on the respective exogenous variables are good, intervening as well as endogenous variables by combining descriptive analysis and multivariate analysis of SEMs in order to process synthesis for the sake of improvement of the results of this research. TQM practices on furniture industry in Kendari is compliance with an expected. In the sense of not happening the gap between what is expected from the implementation of TQM that was felt for entrepreneurs.

The test results indicate that there is enough empirical evidence to accept (H1) which states that TQM practices significantly enhances the competitiveness. The result of hypothesis testing shows that TQM practices has positive and significant impact on competitiveness. The results of these studies support the theory that the TQM Implementation effect on the competitiveness of businesses though [3,10,11,12,34,29]. The influence of the implementation of TQM to the competitiveness of undertakings can effect positive or negative. Furthermore the results of this study support the theory advanced [4,28,35,36,41,42] that the competitiveness of enterprises are usually affected by the TQM practices. Based on the results of this research, both theoretical and empirical facts prove that practices of TQM influence significantly to the competitiveness of SMEs industrial furniture in Kendari. Thus, if the management of the company aimed at improving the competitiveness of business then it needs to be done is to increase the application of TQM strategy with all employees constantly improve and maintain consistency of reliability of promise being delivered to customers, improve and maintain product consistency, fast and satisfying, improve and maintain the consistency of honesty and transparency in providing the needed information, and improve and maintain the consistency of administrative record-keeping system accuracy by the officer so that it is free from errors.

The influence of TQM practices of adopted from SHRM research [3,29]. Entrepreneurs or managers are feeling the furniture industry is important to the TQM practices in accordance with the expectations and the opposite entrepreneur furniture will feel insignificant if not in accordance with the expectation in the implementation of TQM. Thus logically required for the company to continue to improve the implementation of TQM as expected against influential furniture entrepreneur SHRM practices. The test results indicate that there is enough empirical evidence to accept (H2) which states that TQM significantly enhances the SHRM practices. The result of hypothesis testing shows that TQM practices has positive and significant impact on SHRM practices. That means if the increased of implementation of TQM then also increasingly important for entrepreneurs to develop furniture at furniture industry SHRM practices. This occurs because the implementation of TQM the height according to the expectations of employers supported a good leadership, a compact team, employee engagement and the open of information systems.

The results of this study also shows all the indicator variables are latent variables formation of TQM practices according to Managers perception is associated with positive SHRM. The analysis results showed that the change increased each indicator level of TQM practices can enlarge SHRM. This theory supports the TQM practices [3,14,33]. TQM practices that significant positive effect against SHRM practices. If the application of TQM is increased resulting in a strategy on developing skill of employees SHRM practices has increased. Based on the model through measurement of confirmatory factor analysis that the sixth indicator variables that have a great role or contribution to the formation of the latent variable implementation of TQM on furniture industry is people management. The competitiveness of enterprises in the theory of operations management, is a major indicator of the success of the company maintains a continue effort in the long term between the customer with the company. One of the factors that affect the competitiveness of enterprises is the implementation of TQM. The test results in this study proved that the application of TQM influence positively and significantly to the competitiveness of undertakings is shown with the value estimate the coefficient component regression weight between the TQM practices to the competitiveness of businesses in the industry of furniture in Kendari. The influence of the strategy on business competitiveness SHRM practices of the research results suggest that TQM practices positive and significant effect on the competitiveness of businesses. Estimate the value of the coefficient component regression weight between the variables SHRM of the competitiveness of enterprises in Industrial furniture in Kendari. The test results indicate that there is enough empirical evidence to accept (H3) which states that SHRM practices significantly enhances the competitiveness. The result of hypothesis testing shows that SHRM practices has positive and significant impact on competitiveness.

That means the higher the SHRM increasingly higher competitiveness of businesses, change of increasing positive and direct SHRM practices significant to increase the competitiveness of enterprises. The results of this study support the research findings [4,8,11,15,37] that SHRM practices influence significantly to competitiveness. The measurement SHRM practices adopted from [2,3,6,7,8,19,20] which stated there are three indicator variables i.e. SHRM practices include are: training, empowerment and assessment of performance (performance appraisal). The results of this study showed the third indicator variables that have the role/contribution of latent variables to the formation of the strategy HRM of the furniture industry in Kendari was the assessment of performance (performance appraisal). An indicator variable that has a small role and contribution of the third formation of the latent variable SHRM practices is empowering employees on furniture industry in Kendari. But the entire establishment of the indicator of latent SHRM practices has a value of loading factor is still above the limiting rate (cut-off point) indicate a correlation between all positive variables by a factor of formation of SHRM practices.

The results of this study support the theory and research of [6,26,25,37] concluded that SHRM practices influence significantly to the competitiveness of business. Based on the empirical and theoretical support for the results of this research, if the furniture industry management in Kendari aims to improve the competitiveness of business then it needs to be done is to increase SHRM practices. Improving the strategy of industrial furniture on the SHRM practices in Kendari was focusing on improving the implementation of TQM, product benefits, honesty and transparency of the staffs in providing information and services, enhance the company's ability to meet its obligations to customers and enhance the capabilities and skill of employees. SMEs engaged in furniture industry applicability of TQM practices was instrumental as the key to success both in communicating the product, presenting by the customer.

Path analysis for the impact of TQM practices on competitiveness, which is mediated by SHRM practices, shows a positive and significant coefficient and this is enough evidence to accept H4. This means that SHRM practices is really influenced by TQM practices and SHRM practices has significant impact on competitiveness, and then TQM practices has an impact on competitiveness. It can be concluded that improvement of the implementation for TQM practices will have direct impact for the increasing competitiveness for the company and the same effect can flow through high level of SHRM practices. The result of mediation test shows that SHRM practices has a partial mediation effect. On the other hand SHRM practices is largely determined by the implementation of TQM. The role of the SHRM practices as mediation of the relationship between the implementation of TQM to the competitiveness of undertakings adopted from the research of [10,13,29,38,39]. Thus logically required for the company to continue to improve the implementation of TQM practices because of the effect on the competitiveness of businesses through increased role SHRM practices.

In addition, the TQM practices on has a direct influence on the competitiveness of undertakings is also an indirect influence on the competitiveness of businesses that is mediated by the role of SHRM practices. SHRM practices as variable intervening can strengthen or weaken the influence of the implementation of TQM to the competitiveness of business. Empirically knowable the higher the SHRM supported by an increase in the application of TQM is getting higher competitiveness of enterprises in furniture industry in Kendari Southeast Sulawesi. The changes improved the implementation of TQM in keeping positive and significant to the improvement of the competitiveness of enterprises through a role in the increased SHRM practices. The results of this study supports the theory of [3,4,36,38] stayed that one of the key factors affecting the competitiveness of business is a strategy HRM. The poor application of integrated TQM practices in the furniture industry Kendari will have an impact on the competitiveness of businesses. The role of SHRM practices logically can mediate the relationship between TQM Implementation that influence positively and significantly to the competitiveness of business. The strategy is the intervening variable SHRM practices serve to strengthen or weaken the relationship between variable implementation of TQM to the competitiveness of business.

## **VI. IMPLICATION RESEARCH**

The results of this study are expected to provide the implications on the concept of Management Operations [40,41] and TQM which is rated according to TQM practices manager perception that the positive influence of SHRM practices. The results of the analysis showed that changes every indicator increased implementation of TQM can develop SHRM practices and competitiveness. Thus the results of this study supports the theory of TQM practices by [3,9,10,12,35] that the TQM practices significant positive effect on the SHRM practices. If the application of TQM is increased resulting in a SHRM practices at the ministry of police has increased. The results of this study supports the theory of SHRM practices [6,10,15,26,29,37,38] that TQM practices effect on the strategy of human resource management. TQM practices has a positive and significant influence toward SHRM practices due to the officers or employees who carry out its activities and serves customers professionally as expected. The higher of TQM practices increased the higher of SHRM practices.

Therefore, theoretically and empirically proved the fact that TQM practices has a positive and significant influence on the SHRM practices in furniture Industry in Kendari Southeast Sulawesi.

The results of these studies support the theory that States that the TQM practices effect on the competitiveness of businesses [3,4,9,11,12,28]. In the absence of implementation of TQM is high, it will not materialize the competitiveness of businesses. The influence of TQM practices of loyalty can affect positive or negative. It depends on the assessment of managers, positive influence can occurred when a TQM practices are either completely because keeping our promise, providing a fast and satisfactory service, honest and transparent and accurate, otherwise the negative influence of TQM practices rate cannot be trusted because it is not true to his promise, the services provided disappointing, dishonest and transparent as well as the recording of inaccurate product administration. The results of this study support the theory advanced [3,10,13,36] that the level of competitiveness of businesses affected by the implementation of TQM practices. This means that, in the implementation of TQM is not directly connected to the competitiveness or mediated by the role of the SHRM practices. While the results of the study [10,13,29,38,39], It has been proved that the TQM practices, have the effect of directly against the level of business competitiveness. The second rests on this view it can be stated that the TQM practices, have links directly to the competitiveness of business. Then the results of this study supports the results of the empirical research conducted by [8,9,10,11,22], concluded that the TQM practices has a positive and significant to the competitiveness of business.

The practical implications of the research are very important means for furniture industry management in Kendari for revealing information on the results of the assessment and the expectations of the managers about TQM Implementation as well as information about the image of the competitiveness of enterprises. In addition, the results of this study reveal the influence of causality between the implementation of TQM, SHRM practices and the competitiveness of businesses either directly or indirectly. Business conditions in today's furniture industry where the level of competition is increasingly good competitors both local and competition among furniture industry, where each company is competing against each other to seize market share that has been owned, so the formulation of a strategy based only on the wishes of the company, it is no longer appropriate because it can just happen the strategies formulated doesn't match the customer's expectations.

Needed to change the paradigm of management of the company oriented on orientation to the consumer who is establishing a long-term relationship of mutual benefit between enterprises. In order to achieve these goals, all employees should be aware of and have a commitment to improve the application of TQM and SHRM practices became a priority to build the competitiveness of businesses. The management of the company should be aware that one of the strategies that can be used is to increase the implementation of TQM especially serious attention to the indicator variable strategic planning. In this study show variable indicators strategic planning has a role or a low contribution of the six indicators of formation of latent variable TQM practices. To improve human resources management strategy on furniture Industry in Kendari strategy that can be done is management focusing on improving the TQM practices the customer on product benefits, honesty and transparency are the staffs in providing information, improving the company's ability to meet its obligations and enhance the company's ability in maintaining the quality of the product according to the wishes of the customer.

The company's management when aiming to improve the competitiveness of business then it needs to be done from the standpoint of customers is increasing the applicability of TQM to strategy all employees constantly improve and maintain consistency and reliability fulfill the promise being delivered to customers, improve and maintain the consistency of the right service, quick and satisfactory, improve and maintain the consistency of honesty and transparency in providing the needed information, improve and maintain the consistency of administrative record-keeping system accuracy so that it is free from errors.

## **VII. CONCLUSION AND LIMITATION**

The TQM practices either directly can enhance SMEs competitiveness and SHRM practices. Does that mean any changes to increase the application of TQM can enlarge SHRM development practices and improved competitiveness. Then practice good SHRM significantly to increase the competitiveness of enterprises. That means the better the SHRM practice more and higher competitiveness of enterprises in the furniture Industry in Kendari through indicators are: training, empowerment and the performance appraisal has an effect on the competitiveness of enterprises in the furniture Industry in Kendari Southeast Sulawesi. SHRM practices serves as the mediation of TQM practices relationships positive and significant effect on competitiveness. That means the managers that TQM practices rate is high have the effect of increasing the competitiveness of industrial enterprises furniture in Kendari significantly. Thus if the management wants to improve competitiveness, strategies that can be used is to improve the quality of human resources and the TQM practices.

The study was limited to the presentation of an analysis of the relationship in a cross sectional. The ever-changing business environment needs to be identified. Therefore, it is necessary the study of advanced research with longitudinal design flow up to test again whether the relationship between the variables analyzed in this research have changed. The study only focused on industrial furniture industry in Kendari Southeast

Sulawesi, the fore can conduct research with a broader scope of entire furniture Industry in Southeast Sulawesi and other regions at similar business sectors. Indicators that are used at each of the variables is still limited, so there are still a few things that have not been covered in the discussion and still need to be further developed as the exogenous variables such as TQM practices policy socialization, transparency, fairness and timelines.

In this research is more likely to be emphasis and the study of the TQM, SHRM practices and the competitiveness of businesses that are more focused on the response or assessment of managers not to all parties that partnered especially customers. Therefore in the future are expected to study the development of empirically by expanding the indicators used in particular measurements of TQM practices that includes all parties. Finally the suggestions that can be expressed by researchers on behalf of the furniture industry in order to keep managers build and maintain business life on long term mutual benefit between customers with a company that is manifested in the form of business competitiveness. In addition the furniture industry management needs to do optimization with more focused attention seriously to the indicator variable strategic planning for the role or contribution in formation of TQM practices. For the future research, next researcher is expected to utilize and develop the results of this study by using different variables or indicators that are used at each of the variables need to be developed.

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