

CHAPTER I

INTRODUCTION

A. Background

Currently, businesses or companies in the world and in Indonesia are growing rapidly, both in the service and goods sectors, which are very diverse in this era. Many business people are now starting to show each other creativity and innovation in developing their business along with the development of trends and times so that they are able to compete with other business competitors. According to Ebert and Griffin (2015) business is an organization that provides goods or services to earn profit. Not only for personal gain, business is also able to provide benefits to the state and society, such as providing employment opportunities for the community so that business is able to help reduce the country's unemployment rate and also help the country's economic growth.

Business has many fields, for example, such as food, beverage, retail, services and many more. However, there is one of business that is timeless, one of which is the medical device business. This is because medical devices will continue and are always needed while various types of diseases still exist in this world and of course will always be needed by everyone. For example, in the case of Covid-19 which has been happening around the world since 2020, where the demand for medical devices has experienced a very high increase. With a very high demand for medical devices, of course, medical device manufacturers are required to pay attention to the quality of their products. So that later medical device products that will be used by consumers any problems or defects and consumers will feel satisfied. According

to Kotler and Keller (2016) quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. Quality is consistent conformance to customers' expectations, in other words 'doing things right' (Slack and Jones, 2019).

One of the companies that run the business of producing medical devices is PT. Bumi Indah Putra. PT. Bumi Indah Putra is a company that was founded in 2009 and it is now located in the Bekasi City, West Java with a service and trading business as well as a manufacturer of medical devices which include hospital furniture, manufacturing hospital interiors, as well as modifying ambulances and incubators from various types with the trademark BIPMED. PT. Bumi Indah Putra has high quality standards for each product it produces, supported by high-tech machines and also certified workers in their respective fields so as to ensure that the products produced are in accordance with predetermined standards. PT. Bumi Indah Putra has also obtained ISO 9001:2015 and CPAKB certifications to ensure the quality of our products is in line with world quality standards. The products produce has also obtained a distribution permit number from the Indonesian Ministry of Health and also passed the IEC 60601 Electrical Safety Standard test from the authorized institution.

In addition to achieving and meeting product quality, PT. Bumi Indah Putra implements a Total Quality Management approach. According to Heizer et al., (2017) Total Quality Management is the management of the entire organization so that it excels in all aspects of products and services that are considered important to customers. Total Quality Management has a big role for business in achieving

consumer needs by selling good quality products to consumers. However, the implementation of Total Quality Management has a relationship and also has an effect on operational performance activities in the company.

According to Handoko (2010) Operational Performance is the implementation of managerial activities carried out in the selection, design, renewal, operation and supervision of production systems. Operational performance can be measured using productivity, production volume defects, warranty claims costs, quality costs, and full on-time delivery to consumers (Samson and Terziovski, 1999). So that if Total Quality Management can be carried out and implemented properly then it will also has a good effect on Operational Performance and can also be carried out properly.

Based on the results of previous research by Adem and Viridi (2020) found that from the results of the proposed statistical test related to Total Quality Management on Operational Performance, there were 3 out of 7 hypotheses that were accepted or positive. The three hypotheses, namely Supplier Quality Management, Process Management, and Continuous Improvement, were found to has significant and positive effects on Operational Performance. While the other four hypotheses, namely Top Management Support, Customer Focus, Employee Empowerment and Involvement, and Education and Training, were found to has no significant and negative effect on Operational Performance.

However, in the research of Chauke et al., (2019), it was found that there was a significant and positive effect of the Top Management Support, Customer Focus, and Employee Empowerment and Involvement hypothesis on Operational

Performance and also in the research of Khan et al., (2020) it was found that there was a significant and positive effect of the Education and Training hypothesis on Operational Performance. With the inconsistency of previous studies, the researchers are interested in doing research again on the same topic with the aims to examine and analyze whether all dimensions or variables of Total Quality Management can has an impact or effect on Operational Performance. The research to be conducted is a replication of Adem and Viridi's (2020) research because this research will use the same dimensions or variables of Total Quality Management, namely Top Management Support, Customer Focus, Employee Empowerment and Involvement, Supplier Quality Management, Process Management, Continuous Improvement. and Education and Training. The reason of the researcher decided to use this dimension or variable is that this variable is in accordance with what is or is happening in the object of research in PT. Bumi Indah Putra.

Based on the background described above, the researcher will conduct a research entitled "The Effect of Total Quality Management implementation on Operational Performance (Study in PT. Bumi Indah Putra)".

B. Problem Formulation

Based on the background of the problem and the description above, the problem formulations in this research are:

1. Does the implementation of Top Management Support has a positive effect on operational performance in PT. Bumi Indah Putra?
2. Does the implementation of Customer Focus has a positive effect on operational performance in PT. Bumi Indah Putra?

3. Does the implementation of Employee Empowerment and Involvement has a positive effect on operational performance in PT. Bumi Indah Putra?
4. Does the implementation of Supplier Quality Management has a positive effect on operational performance in PT. Bumi Indah Putra?
5. Does the implementation of Process Management has a positive effect on operational performance in PT. Bumi Indah Putra?
6. Does the implementation of Continuous Improvement has a positive effect on operational performance in PT. Bumi Indah Putra?
7. Does the implementation of Education and Training has a positive effect on operational performance in PT. Bumi Indah Putra?

C. Research Purpose

Based on the formulation of the problem above, the purpose of this research are as follows:

1. To examine and analyze the effect of Top Management Support implementation on Operational Performance in PT. Bumi Indah Putra
2. To examine and analyze the effect of Customer Focus implementation on Operational Performance in PT. Bumi Indah Putra
3. To examine and analyze the effect of Employee Empowerment and Involvement implementation on Operational Performance in PT. Bumi Indah Putra
4. To examine and analyze the effect of Supplier Quality Management implementation on Operational Performance in PT. Bumi Indah Putra

5. To examine and analyze the effect of Process Management implementation on Operational Performance in PT. Bumi Indah Putra
6. To examine and analyze the effect of Continuous Improvement implementation on Operational Performance in PT. Bumi Indah Putra
7. To examine and analyze the effect of Education and Training implementation on Operational Performance in PT. Bumi Indah Putra

D. Research Benefits

1. Theoretically, this research is expected to develop knowledge for academics, contribute knowledge and assess the effect of implementing Total Quality Management on Operational Performance in PT. Bumi Indah Putra and also received additional literature at the Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta.
2. Practically for the researcher, it is part of the means to realize the theories that have been obtained and also as one of the requirements for obtaining a bachelor's degree in the management department of the Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta.