CHAPTER I

INTRODUCTION

A. Background

Operation is one of the important factors that can not even be found in an organization or company. In order for activity management to run properly and correctly, an organization or company must have good maintenance so that it can manage and build the company well so that operational performance increases and runs smoothly. According to Voss, Ahlstrom, and Blackmon (1997), operational performance is critical in the management of organizations because it entails the critical strategic endeavors of establishing organizational goals and objectives, monitoring and controlling progress toward achieving those goals, and making meaningful adjustments to ensure that those goals are met effectively and efficiently.

In today's dynamic business environment, tough competition and constantly changing client expectations have put increased pressure on businesses to be competitive. These shifts include senior management's mindset, customer expectations, supplier capabilities, process and product development technology (Ahuja et al., 2004). Many businesses have included a review of their maintenance department's activities. Maintenance's role is to increase machine availability for manufacturing operations and to keep them in good working order (Swanson, 2001). To

acquire a competitive advantage over the competition, businesses should have a capable maintenance and manufacturing approach. Companies will save time, money, and other resources by effectively integrating maintenance functions and quality procedures.

The key to a successful operation is proper maintenance. Poor maintenance manifests itself in delayed production schedules, low equipment usage, and multiple equipment breakdowns. These signs do not bode well for the manufacturing industry's operations. Manufacturing operations are harmed because machine failures might result in product damage. The manufacturing industry is one of the most important sectors of the Indonesian economy, contributing to greater economic growth both socially and economically, especially in food industry sector. The emphasis on output should not be shifted away from quality. Both dimensions of production, as well as quality, are impossible to achieve without properly operating machines and equipment. Regular maintenance is necessary for the proper operation of machines on the work floor. The constant need for products, which can only be met through an efficient production system, has emphasized the adoption of complete total productive maintenance.

The industrial sector in Special Region of Yogyakarta is one of the mainstay manufacturing sectors which contributes greatly to the economic growth in Special Region of Yogyakarta. In addition, the food industry has great potential to generate job opportunities. This industry

consists of small, medium, and large industries which are classified based on the number of employees. The main challenges affecting the operating performance of the food industry sector in Special Region of Yogyakarta include high utility costs, low added value, inadequate skilled human resources, and the influx of counterfeit goods and lack of competitiveness.

This research was conducted on Small, Medium, and Large Industries in Special Region Yogyakarta, especially the Food industry which belongs to the Food industry branch. Small, Medium and Large Industries have an important role in business development in Special Region of Yogyakarta, especially the food industry. The food industry in Special Region of Yogyakarta is an industry that has the potential to be developed. Based on the results of the 2019-2020 survey, it shows that there are 4,464 households, small, medium, and large-scale food industry companies in the Special Region of Yogyakarta, with locations spread across five regencies/cities. The number of small, medium and large businesses by district/city shows that Kulon Progo Regency has the largest number of businesses reaching 2,317 businesses. In the second position, as many as 1,274 businesses/companies are located in Bantul Regency. Gunung Kidul Regency, Sleman, and Yogyakarta City took the next position with 573 businesses/companies, 229 businesses, and 71 businesses, respectively (Disperindagkop DIY)

In the literature, many studies prove that total productive maintenance can affect operational performance. However, that the studies

need to be proved. Therefore, this research was made to identify whether total productive maintenance on operational performance can be mediated by the total quality management variable by submitting a research title "the effect of total productive maintenance on operational performance through total quality management as an intervention variable, study on the food industry in Special Region of Yogyakarta."

B. Problem Formulation

Based on the description of the background, the formulation of the problem in this study is:

1. Does total productive maintenance have a positive effect on operational performance?
2. Does total productive maintenance have a positive effect on total quality management?
3. Does total quality management have a positive effect on operational performance?
4. Does total productive maintenance have a positive effect on operational performance through total quality management as an intervening variable?

C. Research Objectives

Based on the problems that have been formulated, the objectives of this research are:

1. To analyze the effect of total productive maintenance on operational performance.
2. To analyze the effect of total productive maintenance on total quality management.
3. To analyze the effect of total quality management on operational performance.
4. To analyze the effect of total productive maintenance on operational performance through total quality management as an intervening variable.

D. Research Benefits

Based on the formulation of the problem and objectives, the expected benefits of this research are as follows:

1. Theoretically, this research is to add empirical evidence for researchers about the effect of total productive maintenance on operational performance through total quality management as a mediated variable.
2. Practically, this research can provide experience to researchers when conducting research in the operational field.
3. Academically, this research can provide benefits for readers about the effect of total productive maintenance, operational performance, and total quality management.