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F E U I

The 8ᵗʰ International Conference on Business and Management Research

PROCEEDINGS

"Trade, Business and Investment in the Global Economic Recovery"

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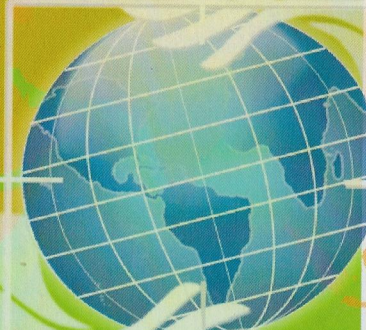**Fax. (+62-21) 786 3556**
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7ᵗʰ – 8ᵗʰ November 2013
Sungkyunkwan University, Seoul, South Korea

Proceedings

8th International Conference on Business and Management (ICBMR)

Trade, Business and Investment in Global Economic Recovery

Joint Conference Sungkyunkwan University and Universitas Indonesia

Supported by ABEST 21

7 – 8th November 2013

Dear colleagues,

I am pleased to welcome you to **The 8th International Conference on Business and Management Research (ICBMR)** by Management Research Center (MRC). For eight years this Conference has been held consistently and become one of the leading academic international conferences.

The first ICBMR was held in August 2007 in Bali, while the second ICBMR was held in August 2008 in Jakarta. To establish a platform for international collaboration for research, MRC actively look for potential partners in conducting the annual conference. The 3rd ICBMR was held in Bali together with The 14th Euro-Asia Conference, and in 2009, MRC hosted the joint conference with the University of Adelaide. Since 2010, the event was also supported by ABEST 21. The 6th ICBMR was conducted in collaboration with Ateneo de Manila University, Philippines in Manila. In the future, MRC is maintaining its effort to look for international partnership opportunity in organizing the conference. The 7th ICBMR was conducted in collaboration with University of Economics-Ho Chi Minh City (UEH).

We hope that the publication of this proceeding will be able to serve as a media for the latest researchers and new ideas; this thought is aligned with Universitas Indonesia's vision to become Research Oriented University.

Finally, on behalf of all my colleagues from Universitas Indonesia and Sungkyunkwan University, and all the members of Organizing Committee ICBMR 2013, we wish you not only an enriching conference but also a pleasant stay in Seoul, South Korea.

Regards,

Rofikoh Rokhim, Ph.D.
Head of Organizing Committee ICBMR 2013

Thursday, November 07, 2013

11:00 am - 11:05 am	Opening Ceremonies MC: Hongjoo Jung, SKKU
11:05 am - 11:10 am	Opening Declaration UI Host
11:10 am - 11:15 am	Greeting SKKU President
11:15 am - 11:20 am	Greeting Ambassador of Indonesia in South Korea
11:20 am - 11:40 am	**Keynote Speech 1: Secretary of Labor Department**, South Korea
11:40 am - 12:00 pm	**Keynote Speech 2: Sylvia Tiwon**, South East Asian Studies, UC Berkeley
12:00 pm - 1:00 pm	Lunch Break

1:00 pm - 2:20 pm	Stephanie Octavia and Lita Nattaya (The influence of Economic Sharia to the Global Economy)	Triza Mudita and Tengku Ezni Balqiah (The Effect of Country Image on Perception of Product Image: Study of South Korea's)	Sung-Min Ryu (Distribution Channel of Korea : Today and Future?)	Young-Han Kim (The Future of Korea-Indonesia Economic Cooperation: Bilateral Investment Cooperation & Investment Risk)

3:00 pm - 4:20 pm	Concurrent Session 1
4:40 pm - 6:00 pm	Concurrent Session 2

Friday, November 08, 2013

9:00 am - 10:20 am	Concurrent Session 3
10:40 am - 12:00 pm	Concurrent Session 4
12:00 pm - 1:00 pm	Lunch and Award Ceremony
1:15 pm - 1:25 pm	Get on a Bus
2:30 pm - 3:30 pm	Company Visit 1 (Samsung Electronics)
4:30 pm - 6:00 pm	Company Visit 2 (Agricultural Cooperative Headquarter & Museum)
6:30 pm - 7:30 pm	Individual City Tour & Dinner
8:00 pm - 9:30 pm	Nanta Show

Joint Conference
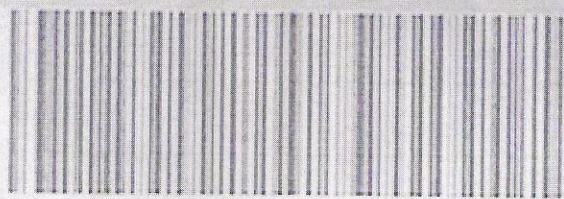Sungkyunkwan University

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THE EFFECT OF TOTAL QUALITY MANAGEMENT IMPLEMENTATION ON CUSTOMER SATISFACTION: HOTEL INDUSTRY IN YOGYAKARTA

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In the current business environment, quality is the only key to survive. Quality is a critical sucess factor for achieving competitive advantage in today's market. Total Quality Management (TQM) is a concept to respond to the situation. The main objective of this research is to observed the effect of *Total Quality Management* (TQM) implementation toward customer satisfaction based on service quality in hotel Industry at Yogyakarta.

There were two respondents in this research: operational Hotel managers who were related to the implementation of TQM and (2) hotel's customers, who were evaluate the service quality provided by the hotels that will represent thecustomer satisfaction. By using questionaire, data were collected from 42 Star-hotels throughout Jogyakarta Province, Indonesia. The samples were selected by convinience random sampling. Total Quality Management were measured by several variables used by Wang et al. (2012): customer focus, internal/external cooperation, continuous improvement, leadership, employee fulfillment, learning and process management. The customer satisfaction were perceived by customer based on service quality provided. They were 5 underlying dimension of service quality that will lead to customer satisfaction: reliability, responsiveness, assurance, empathy and tangibles (Pasuraman et.al, 1985 and 1988).

The research indicated that Total Quality Management implementation has positive effect toward customer satisfaction in Star-hotels throughout Jogyakarta Region. Positive effect means that the increasing level of TQM implementation and the increasing customer satisfaction were in the same direction. If the level of TQM implementation increases, the service qulaity will increase either.

Key words: Total Quality Management, convenience sampling, customer satisfaction, service quality, hotel industry.

A. Introduction

In the recent globalization business environment, manufacturing and services companies have to compete in the very compettive business environment. In a competitive market, quality of product will be an important determinant to sustain in the business (Demirbag, 2006). Hersh (2010) also wrote that every single organization, no matter the organization size, should aware the importance of quality product in achieving their organization's goals. The awareness of the important of quality in the survival and competition has recently spread in all over the world. The typical dictionary definition of quality refers to " degree or grade of excelence", in this sense, Quality is a relative measure of goodness (Hanson and Mowen, 2007). Quality has become an important competitive factor for all organizations as well as large and small business. Hasan and Kerr (2003) stated that quality is one of the effective strategic weapons for improving productivity and enhancing reliability in the organization. Lee (2004) stated that customers all over the world becoming more quality-conscious. The companies with competitive advantages will sustain in that competition. Euginia (2010) wrote that companies could create a competitive advantage if they can produce goods or services beyond the custumer expectation.

Quality has become one of the most important drivers in the market today. The new wave of quality awareness has given a significant influence on how to run a business. A manager should put the customer needs as the first priority in doing the business. Arumugam and Mojtahedzadeh (2011) said that customers are the starting point of company succed rather than the ending point. Gorji (2011) also had the same opinion. He said that a product quality is most impotant factor to customer for all product they bought. In several industries, quality excellence has become a standard for doing business. To meet the condition, a firm has to promote the implementation of quality management program. Several companies realized that Total Quality Management (TQM) is a necessary tool for them to sustain in the business, to retain their customer and to be responsive to market changing. The increasing competion has forced many manufacturer to embrace TQM actively in order to sustain in the business (Hawkes and Adam, 1995 in Agus, Krishnam and Kadir, 2000). Since 1980's, TQM was consider as an efective tool to increase the competitive advantages (Kuei et.al, 2001). The implementation of TQM become the succes factor because TQM were focusing on customers and doing the continues improvement (Gorji, 2011). TQM focuses on continues process improvement within organizations to provide customer value and meet customer needs.

The improving quality of product will result not only in decreasing costs but also increasing the business' income. There are two main positive impacts of improving quality to the organizational performance, the first is increasing the sales revenue and the

second is decreasing the product costs per unit. In the short run, the increasing sales revenue and the decreasing producti costs will increase the company profit and in the long run, the improvement of product quality will increase the customer satisfaction. TQM, for that reason is a solution for improving quality of products so that they are acceptable in a global market, and a result, the overall effectiveness and performance can be improved. (Hassan et. al., 2012).

The impacts of TQM implementation on financial and non-financial organizational performance have been proved empirically in all over the world. Hasan and Kerr (2003), Sun (2000) and Terziovski and Samson (1999) find out that the implementation of TQM in services companies could increase the organizational performance significantly. Performance measurements is very essential for organizations. There are several approaches in measuring performance that related to TQM implementation suchas Corporate performane, Business Performance, Organizational Performance, Plant performance, Operational Performance, Financial Performance and Stock Price Performance (Hasan et.al., 2012). The performance can be measured either by financial or non-financial performance.

Kaplan and Norton (1996, 2001); Hoque and James (2000), Otley (2003), Henri (2006) in Vineusa and Houque (2011) found out that non-financial performances were important and relevant in dealing with a very competitive market and incraesing the demand for services quality. There are several performance indicators considered as nn-financial performances. According Vineusa and Hoque (2011), the non-financial performance indicators are (1) on time delivery order, (2) the number of According to Angelova and Zekiri (2011), Customer satisfaction is the outcome felt by those that have experienced a company's performance that have fullfiled their expectation. Hassan and Kerr (2008) mentioned that according to customer satisfaction theory, customer satisfaction is the difference between service quality expectation and the perception of reality.

B. Research Proposition and Research Objectives

Service industries are playing an increasingly important role in the overall economies worldwide. The 21st century is considered to be as the service industry. There has been an increased interest in the application of TQM principles in service organizations such as bankings, healtcares, airlines, transportation and communications firms and hotels (Hasan and Kerr, 2008). Hasan and Kerr (2008) did a study on the relationship between Total Quality Management Practices and organizational performance in service industry. One of the important services business to support the Yogyakarta economic is hotel industry.

Yogyakarta Special Region (Daerah Istimewa Yogyakarta, DIY) is officially one of Indonesia's 34 provinces. Yogyakarta is one of the foremost cultural centers of Java. This city is often called the main gateway to the Central Java as where it is geographically located. The other legendary name for Yogyakarta City, among the elders as well as the youth generation that is the City of Art and Culture. Tourism is a key economic sector for Yogyakarta, providing employment and income directly and indirectly to thousands of people in the province. Until the end of 2012, Tax income had contributed 73% of Regionally Generated Revenue (*Pendapatan Asli Daerah*) of Yogyakarta which 90,95% generated from hotel and restaurants business.

According to Indonesian Central Statistics Bureau (www.bps.go.id), there are 42 star hotels in Jogyakarta in 2010, however in the last three years the number of star hotel increase significanly. It was sated that until the end 2012, there will be 65 star hotel in Jogyakarta. As part of the global market, hotels and restaurants business in Yogyakarta also have done the quality improvement program actively by implementing TQM in providing better products to customer. With the competition of hotel industry being more intense, it is necessary that hotel have provided the best quality of service to their customer. This leads to the following research questions on the effect of TQM implementation on customer satisfaction among in hotel industry. It is hope that this study will provide some important lesson for hotel industry in improving their competitiveness. By doing this research, we could examine empirically the impact of TQM implementation on service quality thah will lead to customer satisfaction and finally, we could generated strategic recommendation for decison makers to enhance the practices of TQM in hotels industry.

C. Literatur Review

1. Total Quality Management

Demirbag et. al (2006) stated that TQM is a holistic management *philosophy* aiming at continuous improvement an all fuction of an organizationn to produce and deliver goods or services in line with customers' needs or requirements by better, cheaper, faster, safer, easier processing than competitors with the participation of all employees under the leadership of top management. Agus, Krishnam and Kadir (2000) defined TQM as a holistic management philosophy, applying to everything, in order to satisfy all customer, internal and external, specifically users of the customers' products and services (quality) and it follows the example set and reinforced in the organization (management). The word "Total" refers to everybody in the organization should be involved in the process. The word "Quality" means that the products or services must meet or exceed the customer expectation. The last word "management" refers to that senior executives are fully

committed. TQM that focus on continues improvement on quality will put a company on (1) strengthening the company competitive advantage in the market and (2) increasing the degree of conformance. The ultimate contributions of successful TQM implementation includes attaining excellence, creating a right first-time attitude, acquiring effective and efficient business solutions, achieving zero defects, delighting customers and suppliers.

Numerous controversies exist regarding the elements of TQM. In general, there are nine principles that have been identified as the essential principles of total quality management (Lee, 1998). They are (1) Customer focus; (2)Top management's commitment; (3) quality data and reporting; (4) Training; (5) Roles of quality department; (6) Employee involment; (8) Product/service design and (9) supplier quality management. Lu and Sohail (1993) in Hassan et. al (2012) also stated that there are 9 TQM practices: (1) Top management Commitment, (2) Strategic Quality management, (3) Process Quality Management, (4) Design Quality Management, (5) Education and Training, (6) Information and Analysis, (7) Benchmarking, (8) Resources and (9) Statistical Process Control. Hensler and Brunell (Tjiptono and Diana, 1996) stated that TQM has four main concepts or principles that make TQM work well. They are (1) Customer focus, (2) Response to everyone, (3) Management based on facts and (4) Continues improvement.

There are several opinion regarding essential principal of TQM for services industries. Tsang and Anthony (2001) used 11 factors of TQM in their reserach on TQM for services organization in United Kingdom. Those factors were (1) customer focus, (2) continues improvement, (3) teamwork and employee involvement, (4) top management commitment and recognition, (5) trainind and development, (6) quality system and policies, (7) supervisory leadership, (8) communication wiyhin company. (9) supplier parttnership and supplier management, (10) measurement and feedack and (11) Cultural changes. Wang and Chen (2011) and Wang, Chen and Chen (2012) in their research on hospitality industry only identified 7 elements of TQM, which are (1) focus on customer, (2), internal/external cooperation (3) leadership, (4) Continues improvement, (5) employee fulfillment, (6) training and (7) process management.

2. *Customef Satisfaction and Service Quality*

In General, customer satisfaction is a business term, is a measure of how products and services supplied by a company meet or exceed customer expectation. Customer satisfaction is the outcome felt by those that have experienced a company's performance that have fulfilled their expectations. Satisfied customer form the foundation of any successful business because customer satisfaction leads to repeat

purchases, brand loyalty, and positive word of mouth (Angelova and Zekiri, 2011). Customer satisfaction is the customer's fullfillment response. Band (1971) in Nasution (2010) stated that customer satisfaction is the state in which customer needs, wants and expectations, through the transaction cycle, are not or exceeded, resulting in repurchase and continuing loyalty. In general, increased customer satisfaction leads to

- higher customer retention rate,
- increases customer repurchase behaviour, and
- ultimately drive higher firm profitability.

Customer satisfaction with a company's products or services is often seen as the key to a company's success and long-term competitiveness. Hassan and Kerr (2003) mentioned that acording to customer satisfaction theory, customer satisfaction is the difference between service quality expectation and the perception of reality. Angelova and Zekiri (2011) stated that delivering high quality service is the key for a sustanaible competitive advantage. Hansemark and Albinson (2004) in Angelova and Zekiri (2011) also stated that customer satisfaction is an overall customer attitude toward service provider. There are several factots that influence customer satisfaction, such as friendly employees, accuracy of billing, competitive pricing, service quallity, good value and quick service (Hokanson,1995 in Angelova and Zekiri (2011). Angelova and Zekiri mentioned that from several studied carried out in many countries, service quality and perceived value are the key constructs affecting customer satisfaction.

Pasuraman et. al. (1988) proposed that higher level of perceive service quality will result in increased customer satisfaction. Perception of service quality will affect feeling of satisfaction. Pasuraman et.al (1985) identified ten determinants of service process quality that were furher distilled the into five underlying dimensions: tangibles, reliability, responsiveness, assurance and emphaty, and as a result SERVQUAL model came into being. Measuring consumer satisfaction by using SERVQUAL approach have been used by Chakraborty and Majumdar in healht care sector in India (2010). It has been tested and validated across various service industries and countries. The five underlying dimensions are:

- Tangibility: Physical facilities, equipment and appearance of personnel
- Reliability: Ability to perform the promised service dependably and accurately
- Responsiveness: willingness to help customers and provide propmt service

- Assurance: knowledge and courtesy of employees and their ability to inspire trust and confidence (including competence, courtesy, credibility and security)
- Empathy: Caring and individualized attention that firm promises to its customer (including access, communication, understanding the customer)

Many researchers have explored the impact of implementing TQM on Customer satisfaction. There were also several research on implementing TQM on health care industry all over the world. Ingram and Chung (10997) in Mehra and Ranganathan (2008) report that adopting TQM program shifts moderately satisfied customer of health care organizations into maximally satisfied customer. In Indonesia, Adi and Fajarwati (2012) have proved that TQM Implementation have positive impacts on customer satisfaction on railway services company. Therefore following hypothesis is proposed:

Ha: TQM Implementation has a positive impact on customer satisfaction in hotel Indusrty Throughout Yogyakarta Province

This research did not identify the degree of customer satisfaction based on how many stars the hotel has, since the hotel service quaity is not deducible from how many stars the hotel has. Hospitality can not be shown and evaluated before its purchase.

D. Data Collection

Reserach methodology is very vital in a research as it can guide researchers in accomplish the reserach objectives. Research methodology covered data collection and variabel measurements. The neccesary information for the research was collected by a questionnaire. A quesionaire was desinged to measure the implementation of TQM and the Customer satisfaction based on service quality. The research quesionnaire consists of 3 parts. The first part is general questions on respondent profile. The second part consist of 28 seven-likert scales questions on 7 elements of Total Quality management. The 7 elements of total quality management were customer focus, internal/external cooperation, continuous improvement, leadership, employee fulfillment, learning and process management. The final part ofthe questionair asked respondenst on service quality. The survey used 5 dimension of services quality that elaborate into 22 questions on 7 likert-scales. The 5 dimension of service quality were tangibility, realibility, responsiveness, assurance and emphaty.

The Population of this research was all stars-hotels in Jogyakarta province. The number of star-hotels in Jogyakarta Province in 2012 were 65 hotels. The samples of this research were selected by using convenience sampling.

Convenience sampling is a non-probability sampling technique where subjects selected based on their convenient accessibility and proximity to the researcher. Convenience sampling involves collecting information from members of the population who are conveniently available to provide this information. (Sekaran, 2003). The subjects selected just because they were willing to participate in this research. From the population, only 45 star-hotels were willing to participate in filling the quesionnaire (75%). Because of incomplete answers, only 42 hotels will be analyzed (70%). The distribution of the samples is provided in table 1. Service quality will be perceived from customer perspective. Five selected customer for each hotel will be represent the customer.

Table 2- Distribution of samples

Hotel Type	N	%
5-stars	4	10
4-stars	6	14
3-stars	9	21
2-stars	14	33
1-star	9	21
Total	42	100

E. Data Analysis and Result

Reliability and Validity Analysis

Reliability is an inidication of consistency between two mesaures of the same thing. In this research, the Cronbach Alpha test was selected to test for realibility because this model is most widely and commonly used to test internal consistency for s set of questions. According to cronbach alpha test provided in table 2. It can been seen that, the higher the alpha, the higher the reliability. Generally, an alpha of 0,60 or higher is thought to indicate an acceptable level internal consistency. All question on TQM implementation and service quality were reliable because the Cronbach alpha value were greater than 0,60. It was obserbed that the result provide evidence that the data collected for this research were judged to be reliable.

Validity refers to the accuracy of the assestment, whether or not it is measures what it is supposed to measure. It is very vital for a study to be valid in order the result could beaccurately applied. In this research, criterian-related validity test was chosen. According to the test result, all items in Total quality Management and service quality were judged to be valid because the value of Spearman rank Correlation for each items were > 0.3. The validity test result vary from 0.344 to 0.679 for items Total quality management and vary from 0.688 to 0.759 for items in service quality.

Table 2 Result of data reliability Test

TOTAL QUALITY MANAGEMENT IMPLEMENTATION		
TQM Components	**Number of items**	**Cronbach Alpha**
Customer Focus	3	0.882
Internal/External Cooperation	5	0.885
Continues Improvements	3	0.883
Leadership	4	0.884
Employess Fullfillments	3	0.879
Learning	4	0.880
Process Management	6	0.878

CUSTOMER SATISFACTION		
Components	**Number of items**	**Cronbach Alpha**
Tangibility	4	0.966
Reliability	4	0.965
Responsiveness	4	0.965
Assurance	5	0.966
Emphathy	5	0.965

Discriptive Analysis

Data collected from the survey indicate the value of Total quality management   implementation in every sample. Table 3 showed that the average of each TQM dimension were 5, it means that the degree of TQM implementation of all samples were relatively high. The Customer Focus dimension had the highest score (6.62), whereas Leadership dimension got the lowest score in this survey (5.55). Table 3 also revealed that the more stars the hotels have did not mean the higher the TQM implementation did. By loooking at the result, the five-stars hotel samples have the lowest score of TQM implementation (5.79).

Table 3: discriptive Statistics

Hotel	FC	IC	CI	LD	EF	TR	PM	Average
5-stars	6,50	5,45	5,42	5,69	5,75	5,44	6,29	5,79
4-stars	6,72	6,33	5,75	5,58	5,67	6,13	6,42	6,09
3-stars	6,59	5,98	6,06	5,86	5,85	6,14	6,41	6,13
2-stars	6,64	5,26	6,15	4,93	5,67	5,93	6,05	5,80
1-star	6,63	5,93	5,4	5,69	6,07	5,83	6,37	6,00
average	6,62	5,79	5,76	5,55	5,8	5,89	6,31	

Notes: FC=Focus on customer, IC=Internal/external Cooperation, CI=Continues Improvement, LD+leadership,
EF=Employee Fullfilment, TR=training and PM=Process management

Regression Analysis

The purpose of the study was to analysis the impact of independent variabel (total quality management implementation) to service quality provided. The result of regression variables was presented in table 4. Table 4 provide the

value R and R^2. The R value is 0.645 (64,5%), which represent the simple regression. It idicates the high degree of correlation. The value of R^2 indicates how much of dependent variable (service quality) can be explained by the independent variabel (TQM). In this study, 41.7% expalined, which was quite large.

Table 4: Regression Analysis Summary

Independent variables	coefisien of Regression	T	p
constanta	0,326	0,347	
TQM Implementation (X)	0,841	5,345	0,000
N = 42; R Square = 0,417 atau 41,7%; R = 0,645 atau 64,5%,F =28,567 ; p = 0,000			

By using the result presented in table 4, the linear regression function could be established as follow:

$$Y = \alpha + \beta x$$
$$Y = 0.326 + 0.841x$$

Y= perceived of service quality
X= The TQM implementation
α = constanta
β= coefficient of regression

The Coefficients of regression (β) provide the information on each predictor, information needed to predict customer satisfaction from TQM implementation. In this research, the coefficien was 0.841, it measured the estimated change in the average value of service quality as a result of a one unit change in Total Quality Management implementation. It can be stated that If the score of Total Quality Management implementation increases by 1, the value of service quality will increase by 0.841. The constanta of regression (α) indicates the estimate change in the average value of service quality when the value of Total Quality Management implementation is zero or without implemented total quality management. In this survey, the constanta was 0.326.

Hyphothesis Analysis

Hypothesis Ha stated that TQM implementation have positive impact on service quality provided by hotel industry in Jogyakarta. The result of regression analysis as shown table 4 indicate that there was a positive significant impact between TQM implementation on service quality (p<0.05). The value of P=0.00005 less than 0.05 indicate that overall the model applied can statistically significantly predict the outcome variables. P is the population correlation coefficient that measure the strenght or the association between variables.

F. Discussion and Conclusion

The main objective of this research is to find out the impact of Total Quality Management implementation toward service quality on hotel industry located in Jogyakarta. The result of this survey support our hyphothesis that the implementation of TQM have significant posistive impact on service quality provided for customers. The research indicated that Total Quality Management implementation has positive effect toward customer satisfaction in Star-hotels throughout Jogyakarta Region.

Positive effect means that the increasing level of TQM implementation and the increasing customer satisfaction were in the same direction. If the level of TQM implementation increases, the service qualiy will increase either. The outcome of this research was allign to study conducted by Ingram and Chung (10997) in Mehra and Ranganathan (2008) and Adi and Fajarwati (2012). Ingram and Chung (10997) in Mehra and Ranganathan (2008) stated that adopting TQM program shifts moderately satisfied customer of health care organizations into maximally satisfied customer. It meant that implementing TQM would generate satisfaction for customer. In Indonesia, Adi and Fajarwati (2012) have proved that TQM Implementation have positive impacts on customer satisfaction on railway services company.

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