



THE IMPACT OF TOTAL QUALITY MANAGEMENT ON EMPLOYEE PERFORMANCE THROUGH INNOVATIVE WORK BEHAVIOR AND DYNAMIC ABSORPTIVE CAPACITY IN SALATIGA MANUFACTURING

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This study examines the relationship between total quality management (TQM) and employee performance by identifying key mediating factors, namely innovative work behaviour and dynamic absorptive capacity. The research investigates how these mediators enhance the effectiveness of TQM in improving employee productivity and performance within manufacturing firms. A research framework was developed and tested using data collected from 114 employees working in manufacturing companies in Salatiga. The data were analysed using Partial Least Squares–Structural Equation Modelling (PLS-SEM). The findings reveal that TQM positively influences employee performance, while innovative work behaviour and dynamic absorptive capacity serve as significant mediating variables. Furthermore, both mediators strengthen the relationship between TQM and employee performance. These results suggest that managers should cultivate an innovative work environment by empowering employees to work independently and think creatively. In addition, top management should encourage continuous learning and the application of new knowledge in the workplace to improve operational efficiency and effectiveness.

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INTRODUCTION

Employees are often regarded as the most critical asset of a company because organizational success depends heavily on their performance, which is why companies invest a significant amount of money into employees (Weihrach, 2024). Nevertheless, studies report an increasing prevalence of mass layoffs across multiple sectors, including logistics, technology, aviation, etc., due to declining productivity (Padilla, 2024). In the Indonesian manufacturing industry, for example, cases of large-scale dismissals – such as those at Sritex who laid off 10.000 employees due to the incompetent people in top management and a tire company who laid off 1.500 employees–illustrate how financial instability and low productivity can result in workforce reductions (Kompas, 2025; Shafly, 2024; Ikhsan, 2023). Factors like employee satisfaction, inadequate training, and poor

discipline contribute to low performance and potential dismissals (Atkinson, 2025; Pandey, 2023). (Putri et al., 2017) highlights that productivity has a strong correlation with performance. Research indicates that low productivity is associated with low employee performance. Therefore, declining employee performance is a significant cause of company downturns and layoffs.

Darmawan & Tanuwijaya (2023) Explain that employee performance reflects their contribution to improving company productivity. However, performance may decline due to individual factors, such as limited worker ability, which affects work quality (Chen, 2024). With a declining rate of performance, this will eventually lead to a low level of productivity (Putri et al., 2017) and potential dismissal of employees. According to Idrus et al. (2023), work quality

significantly impacts employee performance, aiming to create a positive environment that supports productivity. Moreover, if an employee has a high level of commitment towards his or her job, the work performance also increases (Kusnilawati & Santoso, 2022). To enhance employee performance, Wolor et al. (2022) suggest that Total Quality Management (TQM) can be an effective method for improving employee performance, focusing on continuous improvement through training to enhance employee quality.

Total Quality Management (TQM) is a philosophy focused on achieving high performance and quality through key principles (Ghani Al-Saffar & Obeidat, 2020; Putri et al., 2017; Wolor et al., 2022). This management emphasizes a commitment to continuous improvement in employees' empowerment, encompassing quality, top management support, teamwork, incentives, training, and transformational leadership (Dedy et al., 2016). When implemented effectively, TQM can enhance employees' performance (Wolor et al., 2022). This utilizes the TQM as an agent to create the necessary environment of continuous improvement. Moreover, TQM can bring educational initiatives to increase the employees' performance. However, TQM often fails to be implemented (Kebede Adem & Virdi, 2021; Makhoba et al., 2024; Sunarsi et al., 2023). In (Makhoba et al., 2024), it is found that the incompetence of leaders to implement TQM allows the failure to occur. According to research by Sunarsi et al. (2023), TQM is found to decrease employee performance due to a lack of improved commitment or willingness. Hence, failures are often rooted in inconsistent application, resistance to change, and lack of participation (Dubey et al., 2018; Makhoba et al., 2024). These issues hinder adaptability and innovation, creating a gap between TQM principles and actual employees' performance.

To address the research gap, this study employs Innovative Work Behaviour (IWB) and Dynamic Absorptive Capacity (DAC) as mediating variables to examine the relationship between TQM and employees' performance. IWB refers to the generation, promotion, and application of new ideas, methods, or processes that benefit individuals, teams, or organizations (organizations²). Since TQM encourages continuous improvement, it naturally fosters innovative behaviour among employees, which in turn enhances performance through more efficient and creative problem-solving (Vihari et al., 2022). Meanwhile, DAC is represented as an organization's ability to continuously adapt, create value, and maintain a competitive edge by acquiring and applying new knowledge (Curado et al., 2017). TQM supports this by promoting ongoing learning and improvement, enabling

decision-makers to effectively utilize timely information (Yusr et al., 2017). As DAC increases, so does the effective use of knowledge, which boosts employee performance (Ma et al., 2021). Hence, the novelty of this research provides the development of a conceptual model where IWB and DAC can mediate TQM towards employees' performance.

This research aims to examine the relationship between TQM and Employees' Performance in PT Unza Vitalis Salatiga, by identifying key mediating factors such as IWB and DAC. The study seeks to investigate how these mediators enhance the effectiveness of TQM in improving the productivity and performance of employees. The benefit of this research is to identify factors that can facilitate aspects of TQM attributes in improving the performance of the employees of PT. Unza Vitalis Salatiga. For practical purposes, this research can offer a potential solution to the phenomenon of dismissals in companies resulting from employees' performance. Furthermore, this will provide empirical evidence for companies to utilize TQM to improve their daily operations. Last but not least, this research will provide additional ideas to enhance employee performance through innovative work behaviour and dynamic absorptive capacity.

HYPOTHESES DEVELOPMENT

The Relationship between TQM and Employees' Performance

Total Quality Management (TQM) is a comprehensive approach aimed at improving quality at all organizational levels by promoting continuous development, employee empowerment, and a culture of collaboration (Durairatnam et al., 2019; Wolor et al., 2022). Its effectiveness is influenced by key factors such as training, teamwork, leadership, and top management support (Dedy et al., 2016). By enhancing employee capabilities through training and creating a productive work environment, TQM contributes to improving performance (Chen, 2024; Idrus et al., 2023). Providing training and encouraging employees to participate in activities such as discussions and meetings cannot only improve performance but also increase it, as shown in (Ghani Al-Saffar & Obeidat, 2020). Furthermore, when employees are adequately compensated, they will perform better as they feel rewarded for what they provide to the company (Chen, 2024). Inevitably, with participation from leaders, encouragement to join discussion for the workers, training, and empowerment, these will increase the performance as they have higher commitment, motivation, and result (Chen, 2024; Ghani Al-Saffar & Obeidat, 2020; Wolor et al., 2022)

H1: TQM has direct effect on employees' performance.

The Relationship between TQM towards Innovative Work Behavior

One key outcome of TQM implementation is the continuous improvement within the workforce (Durairatnam et al., 2019; Wolor et al., 2022). Therefore, it is aligned with the development of Innovative Work Behaviour (IWB). IWB refers to the actions employees take to contribute to innovation—such as generating, promoting, exploring, and realizing ideas—which are crucial for maintaining a company's competitive advantage (Aprih Santoso, 2021; Hunsaker, 2022; Miao et al., 2018; Zhang & Yang, 2021). By fostering a culture of continuous improvement and active employee participation, TQM creates the conditions necessary for IWB to develop. In (Arhin & Cobblah, 2024), it is found that an active top management through discussing what they want and acknowledging the innovative results from employees can assist in the flourishing of IWB. Furthermore, when employees are well-trained, empowered, engaged, and organized as a team, it leads to innovative behaviour among them (Vihari et al., 2022), thereby aligning quality enhancement efforts with innovation-driven performance.

H2: TQM has direct effect on innovative work behavior.

The Relationship between Innovative Work Behavior towards Employees' Performance

One factor that affects the employees' performance is the work quality (Idrus et al., 2023). Innovative work behaviour (IWB) has shown that employees' performance will increase if the innovation practices are implemented positively (Purwanto et al., 2020). When employees perceive that their coworkers listen to and support their ideas, and recognize the significance of their innovative suggestions, they become more motivated to enhance their work performance (Aprih Santoso, 2021). Furthermore, employees entrusted with providing suggestions for enhancing the quality of procedures and processes within an organization tend to experience an improvement in their work quality, which eventually leads to an increase in their overall performance. Not only do the workers demonstrate high motivation and quality in their work, but they also show a sense of commitment to their tasks because their ideas are executed by the entire team (Aprih Santoso, 2021). The main essence of innovative work behaviour is to let the employees explore and discover methods to complete the work through innovative thinking, which will lead to higher performance by working efficiently (Vihari et al., 2022).

H3: Innovative work behavior has significant effect on employees' performance.

The Relationship between TQM towards Dynamic Absorptive Capacity

Initially introduced by Cohen and Levinthal in 1990, absorptive capacity refers to an organization's ability to recognize, assimilate, and apply external knowledge—often through learning from the products or processes of other firms (Curado et al., 2017; Senivongse et al., 2019). This capability is essential for organizations seeking to remain responsive to shifts in competitive markets. Closely related is the concept of dynamic capabilities, which represent a firm's broader ability to adapt and evolve in response to changing environments (Senivongse et al., 2019). The intersection of these two concepts has led to the emergence of dynamic absorptive capacity. This refined construct emphasizes an organization's capacity to acquire, assimilate, transform, and exploit external knowledge in both stable and rapidly changing markets (Ma et al., 2021). DAC can be implemented in a company because of the top leadership that is committed to creating the necessary environment for DAC to flourish (Yusr et al., 2017). Empowerment from TQM can also increase the DAC because Empowered employees are more involved in learning, which creates knowledge in them and converts it through developing, storing, retrieving, and distributing data and experiences (Barua, 2021).

H4: TQM has significant effect on dynamic absorptive capacity.

The Relationship between Dynamic Absorptive Capacity towards Employees' Performance

DAC assists employees in enhancing their ability to identify the value of information, integrate knowledge, and utilize it (Curado et al., 2017). The main essence of DAC is to leverage it for competitive advantage or to improve the performance of firms and employees (Ma et al., 2021). The performance improvement is evident in the productivity of employees, which is influenced by the flexibility provided by DAC (Liu et al., 2020). Exploiting new knowledge can increase the results of an individual (Ma et al., 2021). Furthermore, by broadening the knowledge and skills of the employee, this will lead to higher productivity in terms of quantity (Senivongse et al., 2019). In addition, implementing new acquired information with better decisions to be made is one of the benefits that can increase the employees' performance (Ma et al., 2021; Yusr et al., 2017).

H5: Dynamic absorptive capacity has significant effect on employees' performance.

The Relationship between TQM towards Employees' Performance mediated by IWB

TQM supports the idea of IWB in the office through its leadership and commitment style to facilitate the behaviour (Arhin & Cobblah, 2024). Recognizing the contributions of top leaders to the company will improve employee creativity. The better the top management promotes the IWB in the company, the better it will be for the IWB to be implemented in each worker (Purwanto et al., 2020). Furthermore, the top management also plays a crucial role in providing the necessary infrastructure to boost the IWB, as they are the policy makers and the first in charge (Vihari et al., 2022). Not only can TQM provide the infrastructure, but it can also equip individuals with soft skills, such as training and empowerment (Arhin & Cobblah, 2024). Therefore, TQM can provide adequate methods to improve the IWB with training, empowerment, and leadership by top management (Vihari et al., 2022).

The IWB culture in the company will encourage employees to maintain their high level of work (Ahmad et al., 2021). The IWB encourages employees to generate new ideas, fostering an innovative environment within the company (Aprih Santoso, 2021). Furthermore, when leaders acknowledge the significance of new suggestions, this will enhance the motivation to improve their performance in the company. Not only is motivation enhanced, but also the output provided by employees is increased by innovative thinking (Vihari et al., 2022). Commitment also increased in this case as the idea owner has their thinking implemented (Aprih Santoso, 2021). Therefore, the better the innovation culture in a company, the better the employees' performance will be (Purwanto et al., 2020).

H6: TQM has significant effect on employees' performance mediated by IWB.

The Relationship Between TQM towards Employees' Performance mediated by DAC

TQM compels labour to continually improve by leveraging new knowledge for enhanced decision-making, a concept referred to as DAC (Yusr et al., 2017). By educating and training employees, the company can foster a DAC atmosphere in the office (Ma et al., 2021). Furthermore, top management can provide the necessary resources for the employees to assimilate the new information (Barua, 2021). Empowering employees can also facilitate the acquisition of new knowledge, as they have autonomy in their daily operations. The new knowledge will enable employees to make better decisions (Yusr et al., 2017). Therefore, TQM manages to establish a new atmosphere of DAC in the office through many of its aspects (Barua, 2021).

The dynamic absorption capacity achieved symbolizes the active influence of the new ability (Mata et al., 2023). Moreover, it can enhance employee performance by leveraging the newly acquired knowledge. The crucial point from DAC is the competitive advantage gained by employees through the implementation of new knowledge (Ma et al., 2021). Furthermore, DAC offers a stimulant in performance because its natural characteristic demands that employees obtain external information to optimize their work quality (Liu et al., 2020). The external knowledge can also increase the quantity of results from the employees as they work more efficiently (Senivongse et al., 2019). Hence, implementing new acquired information with better decisions to be made is one of the benefits that can increase the employees' performance (Ma et al., 2021; Yusr et al., 2017).

H7: TQM has significant effect on employees' performance mediated by DAC.

Based on the developed hypotheses, hence the conceptual framework that will be used in this research is displayed below:

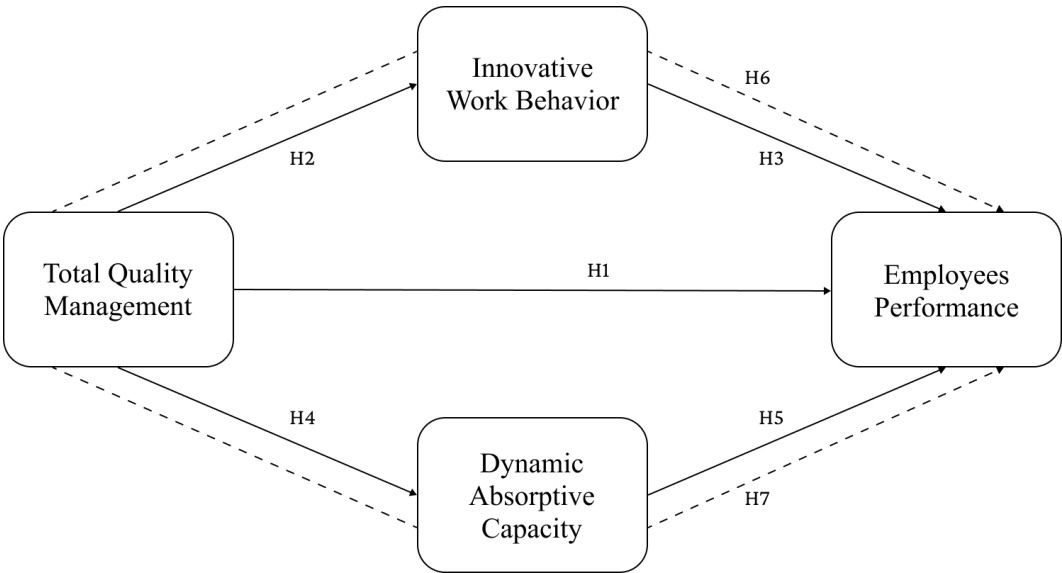


Figure 1. Conceptual Framework

METHOD

This study uses a questionnaire that utilizes a Likert scale from 1 to 5, where one means disagree and five means agree. For TQM indicators, it focuses on six indicators, which are training, teamwork, empowerment, compensation, top management, and leadership (Dedy et al., 2016; Wolor et al., 2022). Employees' Performance (EP), according to Idrus et al. (2023), can be described using five indicators: work quality, work quantity, level of commitment, motivation, and responsibility. Regarding Innovative Work Behavior (IWB), four indicators focus on IWB, which are idea generation, idea promotion, opportunity exploration and idea realization. These indicators come from (Aprih Santoso, 2021; Hunsaker, 2022). Dynamic Absorptive Capacity (DAC) comprises four key indicators: knowledge acquisition, assimilation, transformation, and exploitation.

This study examines the relationship between TQM and Employees' Performance, with the mediation of Innovative Work Behavior and Dynamic Absorptive Capacity in PT. Unza Vitalis Salatiga, Indonesia. It is a profit organization that focuses on producing Fast Moving Consumer

Goods (FMCG) such as body sprays, women's skin care, and hand sanitizer. In this company, 160 people are working. Therefore, this study uses a sample consisting of 114 workers with a 5% margin of error, selected from PT Unza Vitalis Salatiga using the Slovin sampling method, ranging from top management to entry-level workers. This study employs an instrument survey, utilizing Google Forms as the medium to collect responses and requesting email addresses to ensure the honesty of the responses. Demographic samples can be seen in the Table of Demography.

This study employs PLS, a method that focuses on structural equations based on the estimated purpose. Results of Validity and Reliability exhibit the standard items loading ranges from 0.720 to 0.892, the construct of Cronbach's alpha ranges from 0.874 to 0.890, and the average variance extracted (AVE) differs from 0.615 to 0.755. Results of Discriminant Validity indicate that the AVE square root for each construct is more significant than its correlation with all other constructs. The results show an acceptable reliability, convergence, and validity level.

RESULTS AND DISCUSSION

Table 1. Demographic Profile of Respondents

Demographic Variable	Category	Sample Size (n) = 114	Percentage
Gender	Male	60	52.63%
	Female	54	47.37%
Age	18-30	85	74.56%
	>30	29	25.44%
Work Experience	1-2 years	60	52.63%
	2-5 years	30	26.31%
	>5 years	24	21.05%

Table 2. Results of Discriminant Validity

	DAC	Employees' Performance	IWB	TQM
DAC				
Employees' Performance	0.847			
IWB	0.875	0.809		
TQM	0.801	0.782	0.770	

Table 3. Results of Validity and Reliability

Variable	Item Indicators	Loading Factor	Cronbach's Alpha	Rho_A	Composite Reliability	AVE
Total Quality Management (TQM)	TQM 1	0.754	0.874	0.876	0.905	0.615
	TQM 2	0.727				
	TQM 3	0.820				

	TQM 4	0.760				
	TQM 5	0.764				
	TQM 6	0.870				
Employees' Performance (EP)	EP 1	0.884	0.890	0.900	0.920	0.697
	EP 2	0.720				
	EP 3	0.890				
	EP 4	0.853				
	EP 5	0.816				
Innovative Work Behavior (IWB)	IWB 1	0.872	0.892	0.893	0.925	0.755
	IWB 2	0.856				
	IWB 3	0.887				
	IWB 4	0.860				
Dynamic Absorptive Capacity (DAC)	DAC 1	0.853	0.879	0.883	0.917	0.734
	DAC 2	0.892				
	DAC 3	0.839				
	DAC 4	0.841				

Table 4. Hypothesis Results

Hypothesis	Original Sample (O)	T-statistics (O/STDEV)	p-value	Result
TQM → EP	0.243	2.843	0.050	Significant
TQM → IWB	0.683	13.506	0.000	Significant
IWB → EP	0.268	3.144	0.020	Significant
TQM → DAC	0.706	13.365	0.000	Significant
DAC → EP	0.375	4.114	0.000	Significant
TQM → IWB → EP	0.183	3.011	0.030	Significant
TQM → DAC → EP	0.265	4.133	0.000	Significant

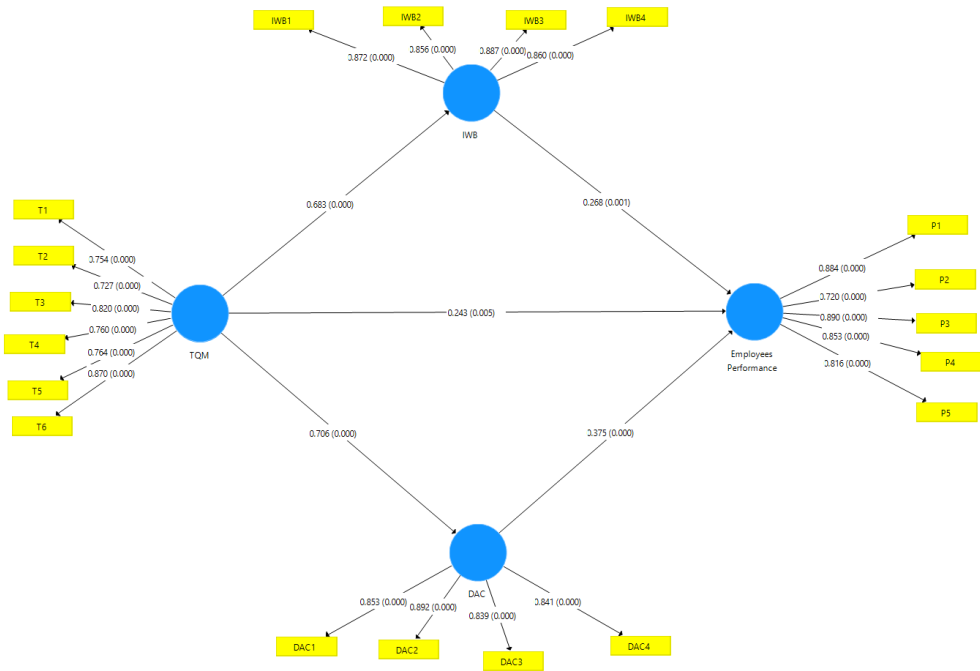


Figure 2. Structural Model's Result

This study uses PLS as an analysis in a structural model. Several steps have been completed in this research. First, the path coefficient of each variable is determined by the researcher, and the significance of each coefficient is indicated by the statistical value, highlighting the outcomes that influence them. Second, the coefficient of determination, which focuses on endogenous variables, is used to calculate predictive power. Figure 2 presents the results of the structural model, while the Hypothesis results show the findings of this study's standard path coefficient model.

Both Hypothesis Results and Figure 2 describe the path coefficient of TQM as positive and significant ($\beta = 0.243$; $p\text{-value} < 0.05$). Hence, the hypothesis that H1 or TQM has a significant effect on employees' performance is supported. This highlights that research from (Dubey et al., 2018; Makhoba et al., 2024; Sunarsi et al., 2023) is neglected. Furthermore, this study aligns with the position of Durairatnam et al. (2019), Putri et al. (2017), and Wolor et al. (2022), which suggests that TQM significantly affects the improvement of employees' performance. Hence, our gap is answered with this main finding.

Regarding the direct effect hypothesis that has been formulated from H2 to H5, it is established that every hypothesis is supported ($p\text{-value} < 0.05$). The findings showcase that H2 or TQM has a significant effect towards IWB ($\beta = 0.683$). H3 or IWB has a significant effect towards the employees' performance ($\beta = 0.268$). H4 or TQM has a significant effect on DAC ($\beta = 0.706$). H5 or DAC has a significant effect towards employees' performance ($\beta = 0.375$). This indicates that every direct hypothesis from H1 to H5 that we have formulated is supported.

Lastly, the indirect relationship of TQM to Employees' Performance through IWB and DAC as mediators is also positive and significant, respectively ($\beta = 0.183$, $p\text{ value} < 0.05$; $\beta = 0.265$, $p\text{ value} < 0.05$). This puts H6 and H7 within the supported category. With the supported arguments of H6 and H7, this provides new novelty to TQM practices. Moreover, DAC shows that it affects more as a mediator to improve TQM effectiveness rather than IWB. It can be concluded that IWB and DAC can act as mediators to link TQM and Employees' Performance, and both mediator variables can influence the Employees' Performance by themselves.

In influencing TQM, leadership and empowerment are the highest indicators, among others. Not only do they influence, but they also play the most significant role in creating a proper, adequate, and successful TQM implementation. Participation from leaders can elevate the employees' performance as workers are not left alone to do everything without a single influence from the managers (Pascha & Kustini, 2023). In a

company, when faced with a sudden challenge, top managers should intervene directly to provide guidance, enabling workers to navigate the situation without being left to deal with it alone. Empowerment from leaders also showcases the second most significant effect in promoting TQM, as employees can perform their jobs independently, leading to better and quicker decision-making, increased job commitment, and innovation at work. This can be achieved by delegating decision-making to employees, encouraging their participation in daily operational fixes, especially in the manufacturing industry. Hence, managers should create an environment where leaders actively participate with the employees and empower them.

When employees are empowered or encouraged by their leaders, they tend to innovate better in terms of operation and results. This results in an environment that fosters innovation throughout the entire process, from creation to the outcome stage. This finding is aligned with (Arhin & Cobblah, 2024; Vihari et al., 2022). With an environment that supports innovation, employees are more likely to generate new ideas in the office. When employees share new ideas and their coworkers listen, it increases the motivation of the idea generators (Aprih Santoso, 2021). Inevitably, the work quality provided by employees will increase with innovation. Hence, companies must create an innovative workspace in the office to facilitate the IWB's growth without challenges and enhance the company's overall profitability.

TQM promotes continuous improvement, which means employees must innovate or acquire new knowledge to enhance their operations. With new knowledge, workers can make better decisions than without it (Yusr et al., 2017). Furthermore, when employees acquire new knowledge, assimilate it, and apply it in the office, this can yield the best and most efficient results without relying on conventional, repetitive methods. This finding is aligned with (Barua, 2021; Liu et al., 2020; Ma et al., 2021). Therefore, the level of commitment to their work increases, and the workers are motivated to continue doing an excellent job, as the work is not only not boring but also repetitive and subject to continuous operational improvement. Not only will the commitment lead to an increase in the result, but it can also operate more efficiently and effectively. Hence, managers should participate and encourage employees to integrate DAC into their workspaces, which will benefit both the employees and the organization. In real life, instances like managers in manufacturing industries can send their employees to learn from other companies. They then bring the new knowledge into their own company, socialize, and experiment on a small scale. If it succeeds, they expand to the whole company; if it fails, they find a new approach.

In this research, we see that both IWB and DAC can act as partial mediation between TQM and employees' performance. Empowerment and top management from TQM help implement the innovative culture in the office. Some implementations include morning briefings, rewarding the best and most applied ideas, dedicated experiment time, and a culture that encourages not being afraid to fail. After being executed in a working environment, the IWB encourages employees to generate, discuss, and implement new ideas, thereby enhancing their motivation, commitment, and overall results. The same part of TQM also improves the DAC environment. Leaders who encourage employees to continue learning in the office can increase the DAC in each individual through micro-learning, such as seminars or online resources like Grammarly, to enhance grammar construction and implementation. The new knowledge acquired through DAC, including external learning and assimilation with the company's culture, can be applied within the company to achieve better work results, as it enables more efficient and practical work.

Theoretical Implications

This study provides new solid evidence that TQM can be implemented and has a significant impact on employees' performance, consistent with the findings of Dedy et al. (2016), Ghani Al-Saffar & Obeidat (2020), and Wolor et al. (2022), who have previously researched and addressed the gap. This study also denies that TQM can fail to be implemented (Dubey et al., 2018) and reduces the employees' performance (Sunarsi et al., 2023). In improving the employees' performance with TQM, companies must focus on leadership and empowerment. Leaders who are actively involved in operations, such as communication, discussion, and work, will increase the level of commitment among their workers, which will eventually enhance the employees' performance (Pascha & Kustini, 2023). Empowered workers can yield better organizational goals because they can do their job innovatively, making quicker and better decisions, and have a higher commitment to their job.

With continuous improvement emphasized by TQM, IWB can flourish easily, as improvement requires innovation, especially when employees are empowered. When empowerment occurs or is given by managers, employees will work independently and innovatively. This will eventually increase the level of commitment of the workers towards their job because they have the feeling of responsibility and freedom to do their job, and inevitably increases the work quality of the employees. TQM not only fosters an innovative environment but also encourages workers to improve their daily operations through

DAC. In their independent daily operation, employees will discover new methods or acquire new knowledge to enhance their operational efficiency and effectiveness. This will elevate employee motivation because they can work in their way, which is more efficient and yields the same or even better results.

Managerial Implications

For PT. Unza Vitalis Salatiga, this research can help alleviate and support the company in improving the employees' results. Top managers can participate more in daily operations by discussing the expected outcomes for specific projects or their general roles. Managers must also join in and assist workers, regardless of any difficulties. Companies can also delegate employees to specific roles, which results in greater independence in their work. Moreover, providing the necessary data and support can be a starting point for leaders to assist in empowering the workers. Therefore, a working environment with TQM implemented can flourish.

Implementing TQM and combining it with IWB and DAC to enhance employee performance should be a concern for managers. Managers should foster an innovative work environment that encourages innovation in the office by empowering employees to work independently and think creatively. After creating the space for innovation to develop, managers should also recognize and provide adequate support for the idea generators until it is executed. Moreover, encouragement from leaders who demonstrate leadership by example can help implement the IWB and ultimately enhance the company's overall performance. Top management should also encourage everyone to learn new knowledge and utilize it in the job environment to increase efficiency and effectiveness in operations. Companies can offer subscriptions to learning platforms like Grammarly to enhance employees' English communication skills. Not only at the top level, but workers can also study other companies in the same industry to see what they do better and implement it in their own companies. Hence, the essence of IWB and DAC can help mediate TQM in improving the employees' performance.

CONCLUSION AND RECOMMENDATION

TQM has a significant effect on employees' performance, as shown by this research. Managers can elevate employees' performance by adopting a proactive leadership style and empowering their workers. This approach will yield the best results for employees' output, as they will feel more committed and motivated, leading to an increase in their work quality. Furthermore, IWB and DAC demonstrate that both variables can be utilized as a single variable to enhance employee

performance and serve as a mediator between TQM and employee performance, with DAC proving to be a superior mediator compared to IWB. This demonstrates that, through continuous improvement from TQM, an innovative working space and dynamic absorptive employees can flourish, leading to improved performance. Notably, DAC performs better as a mediator than IWB.

A limitation of this research is the small number of respondents, all of whom come from a single company named PT. Unza Vitalis Salatiga. Moreover, this data is collected only once with cross-sectional data. This research can be broadened with longitudinal data to compare the differences between time series from this research and those from future studies. A mix of several companies operating in the same industry can also enhance this research further. Furthermore, continuation of this research can also highlight better regions of workers in Indonesia because of the different cultures that influence each region in Indonesia. Therefore, a more comprehensive analytical picture of Indonesia's working environment can be obtained.

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