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The Impact of Total Quality Management on Employee Performance Through Innovative Work Behaviour and Dynamic Absorptive Capacity in Salatiga Manufacturing

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Abstract

Insufficiently trained personnel may reduce productivity in the industrial sector, resulting in labour reductions. This study examines the influence of total quality management (TQM) on employee performance, focusing on the mediating role of innovative work behaviours and dynamic absorptive abilities. It explicitly evaluates if these two characteristics enhance the impact of TQM on augmenting employee performance. To achieve this purpose, a conceptual model was constructed and empirically validated, utilising data from 114 employees at a manufacturing firm in Salatiga. The suggested links were examined via partial least squares structural equation modelling (PLS-SEM). The findings indicate that Total Quality Management positively affects employee performance. Moreover, inventive work behaviour and dynamic absorptive capacity substantially mediate this link, indicating that both mechanisms bolster TQM's efficacy in improving employee performance. The results present significant managerial implications. Organisations should foster a working culture that encourages creativity, initiative, and inventive problem-solving among employees. Furthermore, senior management ought to promote ongoing education by facilitating employees in the acquisition, dissemination, and application of new knowledge in their tasks. These methods can enhance operational efficiency and organisational performance.

Keywords: TQM, employee performance, innovative work behavior, dynamic absorptive capacity

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INTRODUCTION

Employees are considered essential organisational assets, as their performance is pivotal to influencing corporate success (Weihrauch, 2024). Consequently, businesses allocate significant resources to enhance their employees' knowledge, skills, and competencies to sustain productivity and reinforce their long-term competitive advantages. Nevertheless, some industries have recently undergone substantial staff reductions due to diminishing organisational productivity (Padilla, 2024). The manufacturing sector in Indonesia has experienced a comparable trend, with numerous companies executing extensive layoffs. Sritex terminated around 10,000 employees due to managerial and financial difficulties, while a tyre manufacturing company fired nearly 1,500 under similar conditions (Kompas, 2025; Shafly, 2024; and Ikhsan, 2023). These cases illustrate that a sustained decline in productivity, especially when coupled with financial turmoil, can threaten organisational sustainability and eventually lead to significant workforce reductions. The literature delineates various employee-related issues that lead to diminished performance, such as inadequate job satisfaction, insufficient training, and lack of work discipline (Atkinson, 2025; Pandey, 2023). Furthermore, Putri et al. (2017) identified a substantial positive correlation between staff productivity and performance, indicating that diminished productivity is closely associated with decreased performance levels. Collectively, these data suggest that declining employee performance not only limits organisational production but also increases the probability of organisational downturns and layoffs.

Employee performance is acknowledged as a crucial factor in organisational success, as it signifies individuals' contributions to attaining organisational objectives and enhancing operational performance (Darmawan & Tanuwijaya, 2023). Consequently, maintaining high employee performance has emerged as a strategic necessity for organisations. Employee performance can be affected by several individual characteristics, including restricted competencies and insufficient abilities, which may diminish work quality and total job effectiveness (Chen, 2024). If these difficulties remain unaddressed, staff performance may gradually deteriorate, resulting in decreased organisational productivity and a heightened risk of workplace cuts (Putri et al., 2017). Prior research indicates that strengthening work quality is crucial for improving employee performance, as a supportive work environment facilitates more effective and productive employee output (Idrus et al., 2023). Moreover, personnel exhibiting greater organisational commitment typically display elevated performance levels (Kusnilawati & Santoso, 2022). Considering the significance of these aspects, businesses require management methods that enhance staff competencies while facilitating ongoing performance enhancements. Wolor et al. (2022) defined Total Quality Management (TQM) as an effective management strategy that improves employee performance by continual enhancement, workforce development, and structured training.

Despite the long-standing recognition of Total Quality Management (TQM) as an effective management philosophy, empirical findings regarding its impact on organisational outcomes remain mixed. Several studies have reported that organisations frequently face difficulties implementing TQM successfully (Kebede, Adem, & Virdi, 2021; Makhoba et al., 2024; Sunarsi et al., 2023). For example, Makhoba et al. (2024) found that limited leadership capability is one of the primary obstacles to effective TQM implementation. Likewise, Sunarsi et al. (2023) showed that TQM may fail to improve, or even negatively affect, employee performance when organisations are

unable to build employee commitment and encourage active participation in continuous quality improvement initiatives. These findings suggest that TQM's success depends on both its principles and the organisational environment. Prior research has consistently identified inconsistent implementation, resistance to organisational change, and low employee participation as key barriers to successful TQM adoption (Dubey et al., 2018; Makhoba et al., 2024). As a result, these challenges can limit TQM's ability to enhance employee performance, emphasising the need to better understand the mechanisms through which TQM practices translate into improved performance outcomes.

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 organisations. 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 defined as an organisation'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 process by promoting ongoing learning and improvement, which enables decision-makers to effectively use timely information (Mohammed 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 lies in developing a conceptual model in which IWB and DAC mediate TQM's effects on employees' performance.

This study seeks to analyse the correlation between total quality management (TQM) and employee performance at PT Unza Vitalis Salatiga by exploring the mediating role of innovative work behaviours (IWBs) and dynamic absorptive abilities. The correlation between total quality management (TQM) and employee performance at PT Unza Vitalis Salatiga is explored by examining the mediating roles of innovative work behaviours (IWB) and dynamic absorptive abilities (DAA) as fundamental processes through which TQM influences both IWB and DAA dynamic absorptive abilities (DAA), and dynamic absorptive abilities (IWB) and dynamic absorptive ability (DAC) as fundamental processes through which TQM influences both IWB and DAC. The study aims to explain how these mediation mechanisms enhance total quality management as a strategic approach for improving operational performance, as well as how organisational mechanisms contribute to this effectiveness by boosting staff productivity and overall performance. The study identifies essential organisational elements that enable the effective application of TQM methods and enhance employee performance in the manufacturing sector. The study anticipates offering managerial perspectives for addressing performance-related issues that could lead to workforce cutbacks by promoting quality-oriented management practices. The study aims to offer managerial perspectives on addressing performance-related issues that could result in workforce cutbacks by promoting quality-oriented management practices. This study offers empirical data on the effectiveness of total quality management as a strategic method for enhancing operational performance and organisational competitiveness. Ultimately, it enhances the current literature by illustrating the synergistic functions of innovative work behaviour and dynamic absorptive ability as fundamental processes through which Total Quality Management (TQM) leads to enhanced employee performance.

LITERATURE REVIEW

Resource-Based View Theory

The Resource-Based View (RBV) posits that sustainable competitive advantage and superior organizational performance are derived from valuable, rare, inimitable, and well-organized resources and capabilities (Sabourin, 2020). Extending this perspective, Dynamic Capabilities Theory (DCT) emphasizes an organization's ability to integrate, build, and reconfigure internal and external resources in response to rapidly changing environmental conditions, thereby enabling firms to sustain competitive advantage under dynamic market circumstances (Gonzalez-Samaniego et al., 2023). Within the RBV framework, Total Quality Management (TQM) represents a strategic organizational capability that enhances human capital, promotes employee involvement, and cultivates a collaborative work environment, ultimately improving employee performance (Pratama et al., 2025). Furthermore, TQM establishes organizational routines and capability-development processes that foster continuous learning, knowledge sharing, and innovation. These quality-oriented practices create favorable conditions for the development of dynamic absorptive capacity (DAC), enabling employees and organizations to acquire, assimilate, transform, and exploit external knowledge effectively. Consequently, DAC complements TQM by facilitating the integration of new knowledge into organizational processes, thereby strengthening the effectiveness of TQM implementation and enhancing employee performance (Wang et al., 2024).

Hypothesis Development

The Relationship Between TQM and Employees' Performance

Total Quality Management (TQM) is an all-encompassing strategy aimed at enhancing quality across all organisational tiers by fostering continuous improvement, empowering employees, and cultivating a collaborative culture (Durairatnam et al., 2019; Wolor et al., 2022). The efficacy is influenced by key elements like training, teamwork, leadership, and support from senior management (Dedy et al., 2016). The efficacy of Total Quality Management is contingent upon critical aspects like training, collaboration, leadership, and support from upper management (Dedy et al., 2016). The efficacy of Total Quality Management is contingent upon critical aspects like training, collaboration, leadership, and support from upper management (Dedy et al., 2016). TQM enhances performance by augmenting staff capacities through training and fostering a productive work environment (Chen, 2024; Idrus et al., 2023). Facilitating training and promoting employee engagement in activities like talks and meetings can enhance performance since people perceive their contributions to the organization (Ghani Al-Saffar & Obeidat, 2020). Moreover, appropriate remuneration enhances employee performance, since people perceive their contributions to the organisation as valued (Chen, 2024). They will exhibit enhanced performance as they perceive recognition for their contributions to the firm (Chen, 2024). When leaders engage and motivate employees to participate in discussions, while also offering training and empowerment, employee performance will inevitably improve owing to enhanced commitment, motivation, and outcomes (Chen, 2024; Ghani Al-Saffar & Obeidat, 2020; Wolor et al., 2022).

Hypothesis 1: TQM has a direct effect on employees' performance

The Relationship Between TQM and Innovative Work Behavior

One key outcome of TQM implementation is continuous improvement within the workforce (Durairatnam et al., 2019; Wolor et al., 2022). Therefore, it is aligned with the development of innovative workplace behaviour (IWB). IWB refers to the actions employees take to contribute to innovation—such as generating, promoting, exploring, and realising 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 active top management, by discussing what they want and acknowledging employees' innovative results, can assist in the flourishing of IWB. Furthermore, when employees are well-trained, empowered, engaged, and organised as a team, it leads to innovative behaviour among them (Vihari et al., 2022), thereby aligning quality enhancement efforts with innovation-driven performance.

Hypothesis 2: TQM has a direct effect on innovative work behavior

The Relationship Between Innovative Work Behavior and Employees' Performance

Employee performance is predominantly indicated by the quality of work produced, rendering work quality a crucial measure of individual effectiveness (Idrus et al., 2023). Innovative workplace behaviour (IWB) is a significant factor affecting employee performance since it promotes continuous improvement by allowing employees to engage in creative thinking, devise effective solutions, and execute tasks efficiently. IWB has become a pivotal factor since it motivates people to conceive, advocate, and execute innovative ideas that improve work processes and organisational results. Employees who participate in innovation-focused activities are more inclined to enhance their task performance by employing innovative problem-solving techniques and discovering more efficient ways to fulfil work obligations (Purwanto et al., 2020). Moreover, an organisational environment that recognises and fosters individuals' innovative ideas enhances their intrinsic motivation and propensity to exceed job expectations. Employees are more inclined to demonstrate increased work engagement and performance when they believe that their peers and supervisors appreciate and support their innovative ideas (Santoso, 2021). Employees who are motivated to propose enhancements to organisational procedures and operational processes typically exhibit superior work quality, heightened commitment, and increased enthusiasm for their duties, especially when their recommendations are adopted by the organisation (Aprith Santoso, 2021). Consequently, innovative workplace behaviours promote continuous improvement by allowing employees to engage in creative thinking, devise effective solutions, and execute their tasks more efficiently, ultimately resulting in enhanced employee performance (Vihari et al., 2022).

Hypothesis 3: Innovative work behavior has a significant effect on employees' performance

The Relationship Between TQM and Dynamic Absorptive Capacity

Originally 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 other firms' products or processes (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 through top leadership committed to creating the necessary environment for it to flourish (Mohammed 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 the development, storage, retrieval, and distribution of data and experiences (Barua, 2021).

Hypothesis 4: TQM has a significant effect on dynamic absorptive capacity

The Relationship Between Dynamic Absorptive Capacity and Employees' Performance

DAC assists employees in enhancing their ability to identify the value of information, integrate knowledge, and utilise 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 employees' productivity, which is influenced by DAC's flexibility (Liu et al., 2020). Exploiting new knowledge can improve an individual's outcomes (Ma et al., 2021). Furthermore, broadening employees' knowledge and skills will lead to higher productivity in terms of quantity (Senivongse et al., 2019). In addition, implementing new information and making better decisions are among the benefits that can increase employees' performance (Ma et al., 2021; Mohammed Yusr et al., 2017).

Hypothesis 5: Dynamic absorptive capacity has a significant effect on employees' performance

The Relationship Between TQM and Employees' Performance Mediated by IWB

Total Quality Management (TQM) establishes a conducive organisational structure that promotes innovative work behaviour (IWB) through leadership dedication, employee empowerment, and ongoing improvement initiatives (Arhin & Cobblah, 2024). Leadership commitment, a fundamental tenet of TQM, is essential for fostering an organisational environment that motivates people to conceive, disseminate, and execute creative ideas. When senior management acknowledges employees' contributions, articulates the significance of innovation, and exhibits dedication to quality enhancement, employees are more inclined to participate in innovative behaviours that enhance organisational success (Purwanto et al., 2020). Furthermore, senior management is tasked with creating the organisational framework necessary to foster innovation, which encompasses the allocation of sufficient resources, the implementation of supportive policies, and the cultivation of a work atmosphere that promotes experimentation and information exchange (Vihari et al., 2022). TQM not only fosters a supportive atmosphere but also augments employees' innovative capacities through structured training, ongoing education, and empowerment activities that develop both technical and interpersonal skills (Arhin & Cobblah, 2024). Thus, TQM functions as a strategic tool for enhancing IWB by incorporating leadership commitment, staff development, and organisational support into quality management processes (Vihari et al., 2022).

A corporate culture marked by robust innovative work behaviour (IWB) enhances employee performance by promoting ongoing improvement and creativity (Ahmad et al., 2021).

Employees who are motivated to conceive and execute original ideas are more inclined to devise new solutions that enhance work processes and organisational results (Santoso, 2021). Moreover, managerial acknowledgement of employees' inventive contributions amplifies intrinsic motivation, job engagement, and psychological ownership, thereby elevating both the quality and quantity of employee performance (Vihari et al., 2022). The effective execution of employees' ideas enhances their organisational commitment and sense of accountability, as individuals become more engaged in the results of their efforts (Santoso, 2021). Organisations that foster a robust culture of innovation are more inclined to achieve elevated employee performance by encouraging creativity, commitment, and ongoing learning, all of which enhance sustainable organisational competitiveness (Purwanto et al., 2020).

Hypothesis 6: TQM has a significant effect on employees' performance mediated by IWB

The Relationship Between TQM and Employees' Performance Mediated by DAC

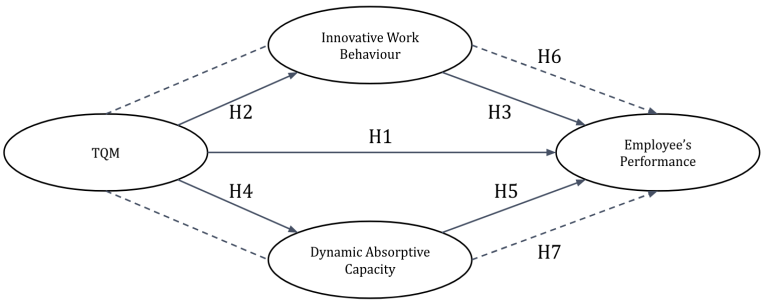
TQM compels labour to continually improve by leveraging new knowledge for enhanced decision-making, a concept referred to as DAC (Yusr et al., 2017). The company can create a DAC environment in the office by teaching and training its workers (Ma et al., 2021). Furthermore, top management can provide the resources employees need 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 (Yusret et al., 2017). Therefore, TQM establishes 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 provides a performance stimulant because its natural characteristic requires employees to obtain external information to optimize work quality (Liu et al., 2020). External knowledge can also increase the quantity of results produced by employees as they work more efficiently (Senivongse et al., 2019). Hence, integrating new information into better decision-making is one of the benefits that can improve employees' performance (Ma et al., 2021; Yusr et al., 2017).

Hypothesis 7: TQM has a significant effect on employees' performance mediated by DAC

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

Figure 1. Conceptual Framework



METHOD

Data Instrument

This study uses a Likert scale from 1 to 5, where 1 indicates disagreement, and 5 indicates agreement. For TQM indicators, it focuses on six indicators: 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), Idrus et al. (2023) describe Employees' Performance (EP) is described using five indicators: work quality, work quantity, level of commitment, motivation, and responsibility. Regarding innovative work behaviour (IWB), four indicators are: idea generation, idea promotion, opportunity exploration, and idea realisation. These indicators come from Aprih Santoso (2021) and Hunsaker (2022). Dynamic Absorptive Capacity (DAC) comprises four key indicators: knowledge acquisition, assimilation, transformation, and exploitation.

Sample Design

This study examines the correlation between Total Quality Management (TQM) and employee performance, focusing on the mediating effects of Innovative Work Behaviour (IWB) and Dynamic Absorptive Capacity (DAC). The study was carried out at PT Unza Vitalis in Salatiga, Indonesia, a manufacturing firm within the fast-moving consumer goods (FMCG) sector that produces various personal care items, such as body sprays, skincare products, and hand sanitisers. Throughout the investigation, the organisation employed 160 individuals at different organisational tiers. The use of the Slovin formula with a 5% margin of error yielded a minimum sample size of 114 respondents. The respondents were chosen by personnel across various organisational levels, from high management to operational staff, to provide thorough coverage of the workforce. Data was gathered using a standardised questionnaire distributed through Google Forms. Participation was voluntary, and respondents were asked to enter their email addresses exclusively to authenticate responses, reduce duplicate entries, and ensure the confidentiality of their replies. Table 1 displays the demographic characteristics of the respondents.

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Scale Validation

This study employs PLS, a method that focuses on structural equations based on the estimated purpose. Results of validity and reliability exhibit that 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) ranges from 0.615 to 0.755. Results of discriminant validity indicate that the square root of the AVE for each construct is more significant than its correlation with all other constructs. The results show an acceptable reliability, convergence, and validity level. The reason this study utilizes HTMT is based on Chatterjee et al. (2021), which says HTMT is more rigid for verifying the discriminant validity.

RESULTS

Table 1. Table of Demographic

Demographic Variable	Category	SampleSize (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 1 presents the demographic characteristics of the 114 respondents. The sample is relatively balanced in terms of gender, with 60 male respondents (52.63%) and 54 female respondents (47.37%). The majority of participants were between 18 and 30 years of age, accounting for 85 respondents (74.56%), while 29 respondents (25.44%) were older than 30 years. In terms of work experience, more than half of the respondents (52.63%) had between one and two years of experience, followed by 30 respondents (26.31%) with two to five years of experience and 24 respondents (21.05%) with more than five years of experience. Overall, the demographic profile indicates that the sample is predominantly composed of young employees in the early stages of their careers, while maintaining a balanced gender distribution. This composition provides a suitable basis for examining employees' perceptions of Total Quality Management (TQM), Innovative Work Behavior (IWB), Dynamic Absorptive Capacity (DAC), and employee performance within the manufacturing context.

Table 2. Results of Discriminant Validity

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

Table 2 presents the results of the discriminant validity assessment, indicating satisfactory discriminant validity among the study constructs. The correlation coefficients between the variables range from 0.770 to 0.875, suggesting that although Total Quality Management (TQM), Innovative Work Behaviour (IWB), Dynamic Absorptive Capacity (DAC), and Employees' Performance are positively associated, they remain empirically distinguishable from one another. Specifically, the strongest relationship is observed between IWB and DAC (r = 0.875), followed by Employees' Performance and DAC (r = 0.847), while the weakest correlation is found between

TQM and IWB (r = 0.770). Overall, these results indicate that the constructs capture distinct theoretical concepts, supporting the adequacy of the measurement model for subsequent structural model analysis.

Table 3. Results of Validity and Reliability

Variables	Item Indicators	Loading Factor	Cronbach's Alpha	Rho_A	Composite Reliability	Average Variance Extracted (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 3 demonstrates that all constructs satisfy the recommended criteria for reliability and convergent validity. The factor loadings of all measurement items range from 0.720 to 0.892, exceeding the minimum threshold of 0.70, indicating strong indicator reliability. The Cronbach's Alpha values (0.874–0.892), Rho_A values (0.876–0.900), and composite reliability values (0.905–0.925) are all above the recommended cutoff of 0.70, confirming high internal consistency and construct reliability. Furthermore, the Average Variance Extracted (AVE) values range from 0.615 to 0.755, surpassing the recommended threshold of 0.50, which indicates adequate convergent validity. Overall, these results confirm that the measurement model is both reliable and valid, supporting its suitability for subsequent structural model analysis.

Table 4. Hypothesis Results

Hypothesis	Original Sample (O)	T-statistics (|O/STDEV|)	p-value	S/NS
TQM → EP	0.243	2,843	0.05	Significant
TQM → IWB	0.683	13.506	0.00	Significant
IWB → EP	0.268	3.144	0.02	Significant
TQM → DAC	0.706	13.365	0.00	Significant
DAC → EP	0.375	4.114	0.00	Significant
TQM → IWB → EP	0.183	3.011	0.03	Significant
TQM → DAC → EP	0.265	4.133	0.00	Significant

Table 4 presents the results of the hypothesis testing, indicating that all proposed hypotheses are supported. Total Quality Management (TQM) has a significant positive effect on Employees' Performance (EP) (β = 0.243, t = 2.843, p = 0.05), Innovative Work Behaviour (IWB) (β = 0.683, t = 13.506, p < 0.001), and Dynamic Absorptive Capacity (DAC) (β = 0.706, t = 13.365, p < 0.001). Furthermore, both IWB (β = 0.268, t = 3.144, p = 0.02) and DAC (β = 0.375, t = 4.114, p < 0.001) significantly enhance employees' performance. The mediation analysis also confirms that IWB (β = 0.183, t = 3.011, p = 0.03) and DAC (β = 0.265, t = 4.133, p < 0.001) significantly mediate the relationship between TQM and employees' performance. Overall, these findings suggest that TQM not only directly improves employee performance but also exerts stronger indirect effects by fostering innovative work behaviour and dynamic absorptive capacity, thereby supporting all proposed hypotheses.

Figure 2. Structural Model's Result

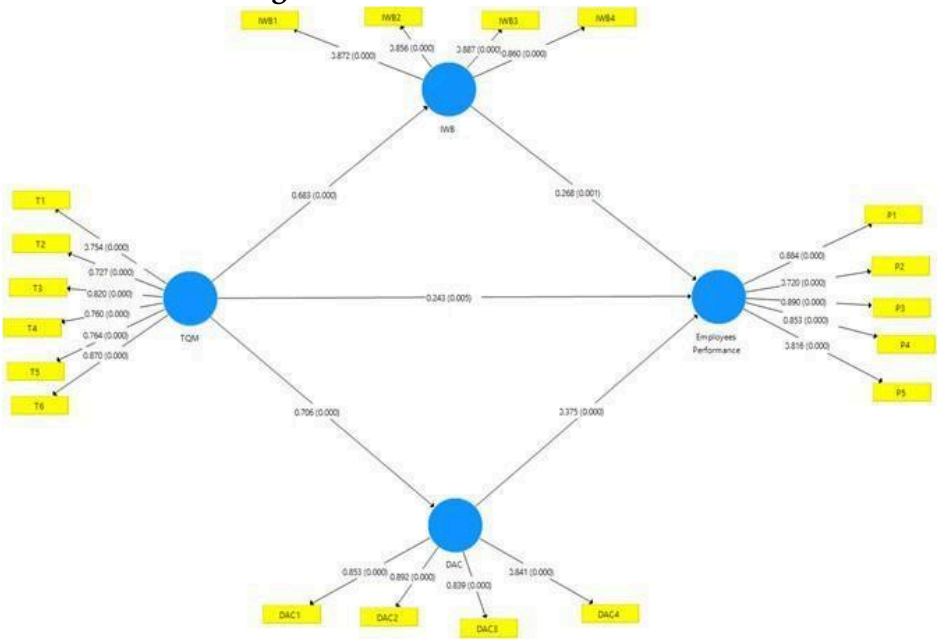


Figure 2 presents the structural model results, illustrating the direct and indirect relationships among Total Quality Management (TQM), Innovative Work Behaviour (IWB), Dynamic Absorptive Capacity (DAC), and Employee Performance (EP). The structural model supports the proposed theoretical framework, demonstrating that TQM enhances employee performance both directly and indirectly through the development of innovative work behaviours and dynamic absorptive capacity.

DISCUSSION

This study uses Partial Least Squares (PLS) for analysis within a structural model. A series of steps: The research has undergone multiple phases. This research has been completed. The researcher initially establishes the path coefficients for each variable, with the significance of each coefficient denoted by its statistical value, thus emphasising the outcomes that affect them. The coefficient of determination, which pertains to endogenous variables, is employed to assess predictive power. Figure 2 illustrates the outcomes of the structural model, whereas the hypothesis results display the findings of the typical path coefficient model of this study. According to the resource-based view theory, the data suggest that TQM functions as an internal organisational resource, enabling the business to cultivate valued qualities, including innovative work behaviour and dynamic absorptive capacity. Total Quality Management functions as an organisational asset by augmenting employee competencies through training, empowerment, leadership endorsement, and ongoing enhancement. Due to the challenges competitors face in rapidly replicating these internal capabilities, they provide them as a foundation for enhanced employee performance and a possible competitive advantage. The enhanced mediation impact of dynamic absorptive capacity indicates that knowledge-based capacities are especially crucial in manufacturing contexts that necessitate ongoing learning and adaptation.

Table 1 shows that the respondents are mainly young employees with limited work experience, indicating that the findings primarily reflect the perceptions of early-career workers in PT Unza Vitalis Salatiga. The subsequent results, therefore, describe how this specific group perceives TQM, innovative work behaviour, and dynamic absorptive capacity and how these perceptions are associated with employee performance in the company. Both hypothesis results and Figure 2 describe the path coefficient of TQM as positive and significant ($\beta = 0.243$; p-value < 0.05). Hence, the hypothesis that H1 or TQM has a significant effect on employees' performance is supported. This highlights that research by Dubey et al. (2018), Makhoba et al. (2024), and Sunarsi et al. (2023) is neglected. Furthermore, this study aligns with the positions of Durairatnam et al. (2019), Putri et al. (2017), and Wolor et al. (2022), which suggest that TQM significantly improves employees' performance. Hence, this main finding addresses our gap.

Regarding the direct effect hypotheses formulated from H2 to H5, all hypotheses are supported (p-values < 0.05). The findings showcase that H2 or TQM has a significant effect on IWB ($\beta = 0.683$). H3 or IWB has a significant effect on 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 on employees' performance ($\beta = 0.375$). This indicates that all the direct hypotheses from H1 to H5 we formulated are supported. Lastly, the indirect relationship between TQM and employees' performance through IWB and DAC as mediators is also positive and significant ($\beta = 0.183$,

p-value < 0.05; β = 0.265, p-value < 0.05). This puts H6 and H7 within the supported category. The supported arguments for H6 and H7 offer fresh perspectives on TQM practices. Moreover, DAC shows that it affects TQM effectiveness more as a mediator than IWB does. It can be concluded that IWB and DAC can act as mediators linking TQM and employees' performance, and both mediators can independently influence employees' performance.

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. Leaders' participation can elevate employees' performance, as workers are not left alone to do everything without managerial influence (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 manage it alone. Leadership empowerment also ranks second among the most significant effects in promoting TQM, as employees can perform their jobs independently, leading to better, quicker decision-making, increased job commitment, and innovation at work. Delegating decision-making to employees and encouraging their participation in daily operational fixes, particularly in the manufacturing industry, can achieve these results. This outcome can be achieved by delegating decision-making to employees and encouraging their participation in daily operational fixes, particularly in the manufacturing industry. Therefore, manufacturing managers should create an environment in which leaders actively participate in production activities and empower employees to contribute to continuous improvement.

Providing employees with support and empowerment enhances their ability to formulate innovative operational strategies. In a manufacturing setting, empowerment can motivate employees to recognise production inefficiencies, propose alternative methodologies, and engage in improving product quality. This fosters a workplace atmosphere that promotes creativity from conception to execution. This discovery is consistent with the work of Arhin & Cobblah (2024) and Vihari et al. (2022). An environment conducive to innovation increases the likelihood of employees generating novel ideas within the manufacturing. When employees present innovative ideas and their colleagues attentively listen, it enhances the motivation of the idea creators (Aprih Santoso, 2021). Thus, creative approaches in industrial operations can enhance work quality, productivity, and overall employee performance.

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 (Mohammed Yusr et al., 2017). Furthermore, when employees acquire new knowledge, assimilate it, and apply it in the office, such behaviour can yield the best and most efficient results without relying on conventional, repetitive methods. This finding aligns with the research conducted by Barua (2021), Liu et al. (2020), and 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 exciting, varied, and subject to continuous operational improvement. Not only will increased commitment lead to better results, but it will also enable employees to operate more efficiently and effectively. Hence, managers should participate and encourage employees to integrate DAC into their workspaces, thereby benefiting both employees and the organisation. 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, socialise, and experiment on a small scale. If it succeeds, they expand to the whole company; if it fails, they seek a new approach.

The findings of this study demonstrate that Innovative Work Behaviour (IWB) and Dynamic Absorptive Capacity (DAC) partially mediate the relationship between Total Quality Management (TQM) and employee performance. This suggests that TQM enhances employee performance not only through its direct influence but also by fostering employees' innovative capabilities and knowledge absorption processes. Within the manufacturing context, TQM practices—such as strong leadership commitment, employee empowerment, continuous improvement initiatives, and participative decision-making—create an organisational environment that encourages innovation and organisational learning. These practices may be reflected in routine production meetings, quality improvement discussions, recognition of employees' suggestions for process enhancement, and opportunities for employees to develop creative solutions to operational challenges. Such an environment stimulates employees to generate, promote, and implement innovative ideas, thereby strengthening innovative work behaviour and contributing to improved individual performance. Furthermore, TQM facilitates the development of dynamic absorptive capacity by promoting continuous learning, knowledge sharing, and the effective application of newly acquired knowledge in daily work activities. For example, organisations may provide technical training programmes, facilitate cross-functional knowledge-sharing sessions, and encourage employees to adopt best practices from other manufacturing firms. By acquiring, assimilating, and applying new knowledge to operational processes, employees are able to perform their tasks more efficiently and effectively, ultimately leading to higher levels of employee performance. These findings underscore the complementary roles of IWB and DAC as key mechanisms through which TQM translates into superior employee performance.

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 previously addressed this gap. This study also asserts that TQM will always be implemented (Dubey et al., 2018) and will improve employees' performance (Sunarsi et al., 2023). To improve employees' performance through 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 achieve better organisational goals by doing their jobs innovatively, making quicker, better decisions, and demonstrating a higher commitment to their work.

The continuous improvement philosophy embedded in Total Quality Management (TQM) provides a conducive environment for the development of Innovative Work Behaviour (IWB), as ongoing process improvement inherently depends on employees' ability to generate and implement innovative solutions. This relationship becomes particularly salient when employees are empowered to participate in decision-making and problem-solving activities. Employee empowerment enhances autonomy, allowing individuals to take greater ownership of their responsibilities and adopt creative approaches to accomplishing work tasks. As a result, employees

develop stronger organisational commitment, greater accountability, and a heightened sense of responsibility, all of which contribute to improved work quality and overall performance. Furthermore, TQM extends beyond fostering innovation by facilitating the development of dynamic absorptive capacity (DAC) through continuous learning and knowledge integration. Within an empowered work environment, employees are encouraged to acquire, assimilate, and apply new knowledge to refine operational processes and identify more efficient ways of performing their tasks. This continuous learning process improves operational efficiency and effectiveness and enhances employees' intrinsic motivation, as they are given the flexibility to utilise innovative methods that achieve equal or superior performance outcomes. Consequently, the synergistic effects of IWB and DAC strengthen TQM's effectiveness in driving sustainable improvements in employee performance and organisational productivity.

Managerial Implications

The findings of this study highlight the importance of integrating Total Quality Management (TQM) with Innovative Work Behaviour (IWB) and Dynamic Absorptive Capacity (DAC) as complementary mechanisms for enhancing employee performance. From a managerial perspective, organisations should cultivate an innovation-oriented work environment by empowering employees with greater autonomy in decision-making and encouraging creative problem-solving. Such an environment enables employees to generate, share, and implement innovative ideas that contribute to continuous process improvement. In addition, managers should establish formal recognition and support systems to evaluate, refine, and implement employees' innovative suggestions, thereby reinforcing a culture of innovation and continuous improvement. Leadership commitment is equally essential, as leaders who actively demonstrate quality-oriented behaviours and champion innovation can motivate employees to engage more actively in innovative work practices, ultimately strengthening organisational performance. Furthermore, organisations should invest in continuous learning initiatives that enhance employees' dynamic absorptive capacity by facilitating the acquisition, assimilation, and application of new knowledge. This can be achieved through technical training programmes, professional development courses, access to digital learning platforms (e.g., Grammarly or other language and professional development applications), cross-functional knowledge-sharing activities, and benchmarking visits to organisations within the same industry. By encouraging employees to continuously acquire external knowledge and translate it into operational improvements, organisations can enhance efficiency, effectiveness, and adaptability. Consequently, strengthening IWB and DAC enables TQM practices to generate greater improvements in employee performance and supports the achievement of sustainable organisational competitiveness. For PT. Unza Vitalis Salatiga, this research can help alleviate employee concerns and support the company in improving employee performance. 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 empower workers. Therefore, a working environment with TQM implemented can flourish.

CONCLUSION AND RECOMMENDATIONS

This study provides actual proof that Total Quality Management (TQM) significantly enhances employee performance. The findings show that leadership dedication, employee empowerment, and participative management practices improve employee motivation, commitment, and accountability, resulting in higher job performance. Furthermore, Innovative Work Behaviour (IWB) and Dynamic Absorptive Capacity (DAC) were discovered to be partial mediators in the relationship between Total Quality Management (TQM) and employee performance, with DAC having a stronger mediating influence than IWB. The findings show that TQM improves employee performance by encouraging an innovative work environment and improving employees' ability to absorb, synthesise, and apply new information. Despite these contributions, this study has considerable limitations. The study used a small sample of 114 employees from a single industrial company, PT Unza Vitalis Salatiga, which may restrict the generalisability of its findings. The cross-sectional approach reduces the ability to study causal relationships and temporal changes. To improve the robustness and external validity of the findings, subsequent research should use longitudinal designs and include additional enterprises from manufacturing and other industries. It is recommended to do comparative research across Indonesian areas to investigate how regional culture and workforce characteristics influence the efficacy of TQM, IWB, and DAC in improving employee performance. This research would provide a more in-depth understanding of the contextual factors influencing quality management practices in Indonesia.

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