

ABSTRACT

Today's business competition is very tight and unavoidable. One industrial sector that cannot escape this competition is the consumer products industry, which produces daily necessities. The consumer products industry has a fast product turnover in the market, and is grouped in the Fast-Moving Consumer Goods (FMCG) industry. The research objective is to explore how to build competitive advantage through the implementation of total quality management in fast-moving consumer goods manufacturing companies in Indonesia.

The sample of this research consisted of managerial personnel with the positions of supervisor, or manager of a manufacturing company in the FMCG industry in Indonesia. Non-probability sampling with purposive sampling criteria was used to determine the sample, wherein the researcher set the boundaries of the sample (Sugiyono, 2016). The minimum sample size was 5-10 multiplied by the number of indicators; this study used 23 indicators (23 indicators x 7 = 161 samples). The analysis tool used was the AMOS 22.00 Structural Equation Modeling method.

The research findings show that there is a significant positive effect of TQM implementation with the dimensions of focus on leadership, strategic planning, and customer focus on product quality, with a p-value marked *** close to zero ($p < 0.05$; H1 accepted). There is a significant influence of TQM implementation with dimensions of focus on leadership, strategic planning, and customer focus towards competitive advantage, with a p-value as big as 0.001 (H2 accepted). There is a significant influence of product quality to competitive advantage, with a p-value equal to 0.041 (H3 accepted). From the direct effect and indirect tests, it is known that the direct effect of TQM implementation on competitive advantage is 0.331 and the indirect effect of TQM implementation on competitive advantage through product quality (mediation variable) of 0.462, which means that the mediation is successful. Product quality is able to mediate between TQM implementation and competitive advantage.

FEB UNDIP

Keywords: *TQM Implementation, Product Quality and Competitive Advantage*