

EFFECT OF CORPORATE GOVERNANCE, INTEGRATED QUALITY MANAGEMENT, CORPORATE SOCIAL RESPONSIBILITY ON COMPETITIVE CAPABILITIES AND OPERATIONAL PERFORMANCE

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ABSTRACT

This research aims to investigate and test the direct effect of corporate governance, integrated quality management and corporate social responsibility on competitive capabilities and operational performance. The study was conducted in 43 companies manufacturing in Makassar Industrial Area with a total sample of 129 employees. Structural equation model in AMOS ver. 18 proved that corporate governance and integrated quality management has a positive and significant effect on competitive capabilities. Corporate social responsibility has not significant effect on competitive capabilities and operational performance. Corporate governance, integrated quality management and competitive capabilities have a positive and significant effect on operational performance. This paper suggests the competitive capabilities are a mediating variable to explain the effect of corporate governance and integrated quality management on operational performance but not for corporate social responsibility.

Keywords: Corporate governance, integrated quality management, corporate social responsibility, competitive capabilities, operational performance

INTRODUCTION:

Emerging paradigm shift in marketing theory that focus on long-term relationships, rather than short-term exchange transactions, led to significant improvements in companies. Through interacting with long-term customers, companies can gain access to a detailed and useful knowledge about the consumer. A loyal customer is one of the capital which is the most important relationship that the company should be more attentive. Companies build relationships and strategic alliances through different mediated business partners, such as networks, cross-boundary teams, supply chain partnering and strategic alliances to disseminate knowledge and innovation. Capital represents the consumer cooperative relations and strategic change partners (Roos & Roos, 1997). Competitive operational performance is determined by the quality of output, production cost, speed of delivery, flexibility of production systems and the quality of design which in turn impact the success of the company's operations.

Economic globalization, happening today, has brought changes in the business environment and competition. Competitive advantage is the heart of the company's performance to compete and develop, so the company is able to create a customer, and it can defend itself from the competitive pressures of the market. When an organization starts paying attention to the global competitive environment, the innovation will be one of the key success factors. In the concept of operations, innovation strategy will help organizations operate on a competitive level based on non-price competition factors such as quality, delivery, reliability, and responsiveness (Porter, 1980). The conditions show that in the context of the operation, an innovation strategy can be applied to the manufacturing industry, service industry and other organizations both for-profit and non-profit (Chase, Aquilano, & Jacobs, 1998).

The global competition in the free trade area of ASEAN (AFTA) is a form of collective agreements of ASEAN countries to establish a free trade zone in order to improve the economic competitiveness of the region, by making ASEAN as a base production of world trade in creating a regional market for 500 million people. AFTA has both benefits and challenges for manufacturing companies in Indonesia, especially in Makassar. Such benefits that market opportunities increasingly large and spacious for Indonesian products to increase the incomes of the population, low production costs and provide certainty for employers to invest in the search for consumer choice or segment of the domestic market with the price level and the competitive quality and creation of a wide range of cooperation in run business is increasingly open alliance or alliance with other ASEAN countries. The challenges faced by the employers in the global competition are manufacturing companies are required to continuously improve the ability to conduct business in a professional manner which can only make them compete with product competitiveness as mediated several other countries. So it is important to achieve the operational performance by striving for continuous improvement.

The fact that happened today shows that in Makassar, an Industrial Area, there were 106 companies, with various types of businesses and their resulting production units. There are manufacturing companies which has considerably low operational performance. This can be measured by the quality level of output produced by the growth-declined companies, increased production cost, slow delivery speeds on the market, flexibility of the production system is erratic and design quality is low. This condition causes uncertain experiences to the company whereas the opportunities reduce and trends insolvent, due to the increasing operational costs of production. The following data show the percentage of the performance of our manufacturing operations in Makassar within five years (2009 - 2013):

Table 1: Operational performance of Manufacturing Industries in Makassar

Operational Performance Assessment	Year (%)				
	2009	2010	2011	2012	2013
Profitability	33.6	33.2	32.9	32.4	31.7
Sales Growth	15.8	14.5	13.2	12.9	10.9
Market share	13.8	13.4	12.7	12.2	11.5

Source: Makassar Industrial Area (KIMA, 2015)

The decline in the performance of our manufacturing operations happens because the company has not been able to foster the competitiveness among its competitors who are engaged in the same field both national and international manufacturers. The conditions show that the performance of our manufacturing operations in Makassar Industrial Area needs to be upgraded and improved through the improvement of the company's existence to compete with companies in the country and abroad, so as to improve operational performance. That

was collected from the observation while in some manufacturing companies in KIMA indicate that the tendency of companies to operate the company does not consider the aspect of cost efficiency, product quality is less competitive, slow in managing flexibility and not timely in delivery product.

The operational performance competitiveness is determined by the quality of the output, production cost, speed of delivery, flexibility of production systems and the quality of design determines the success of the company's operations (Jacobs & Chase, 2000: 159). Maruchek *et al.*(1990) put forward the theory of competitiveness that a competitive company is the winner of the competition. Attempts to be competitive, companies should consider the use of cost-efficient; maintain product quality, flexibility in innovation and accuracy of delivery or shipment of products.

Being always claimed by the manufacturers that the result of the product being produced is unable to be competitive enough with competitors moving in the same field from both domestic and abroad, led to the realization of challenges in achieving operating performance to achieve the expected target. To realize the competitive ability and operational performance improvement is determined by the quality standards, quality management and corporate social responsibility. Thirdly it can influence directly and indirectly to competitiveness and operational performance (Gaspersz, 2003: 49).

The results showed that partly manufacturing company in the city of Makassar in particular contained in the Makassar Industrial Area (KIMA), there are still companies yet to adopt Corporate Governance in accordance with the Decree of the Minister of State Enterprises of the Republic of Indonesia Number: KEP-117 / M-MBU-2002 on corporate governance. Such conditions result in less optimal corporate governance so that they cause fewer employees ready to perform basic tasks and functions to improve competitiveness and operational performance. Good corporate governance principle theory states that corporate governance is built on five principles (fairness, transparency, accountability, responsibilities and independence) to achieve the goal, in this case, the competitiveness and performance (Meier, 2005: 69).

LITERATURE REVIEW AND RESEARCH HYPOTHESES:

Corporate Governance:

Corporate Governance is a system of governance that is organized by considering all the factors that influence institutional processes, including related factors to the function of the regulator (Syakhroza, 2003). Another view explains that 'corporate governance is a mechanism that can be used to ensure that the supplier's financial or capital owner companies obtain a refund or *return* of the activities undertaken by the manager, or in other words how the *supplier's* financial companies exercise control over the manager (Shleifer & Vishny, 1997). Based on these statements, the corporate governance can be described as a system or mechanism established through regulations and other factors that influence and directly control the functioning of the company and ensures that all interested parties to act in accordance with their rights and obligations. Governance is good to have five kinds of main objectives, namely: (1) protect the rights and interests of the leadership, (2) protect the rights and interests of subordinates, (3) increase the value of the company, (4) improve the efficiency and effectiveness of work and (5) improving quality leadership and subordinate relationships (Thomas, 2008: 8).

Researchers are increasingly recognizing that no single model that is adequate in describing governance in all contexts (La Porta *et al.*, 1997; 1998). Measurement of *Good Corporate Governance* (GCG) in this study refers to the Decree of the Minister of State Owned Enterprises No. KEP-117 / M-MBU / 2002 on Governance company indicated by (1) Fairness, which is carrying out work activities without discriminating against each other's interests party, (2) Transparency, namely openness in providing information on work activities, (3) Accountability, namely accountability work activities appropriate programs and activities are implemented, (4) responsibility, i.e. reliability in performing work activities in a professional manner, and (5) Independence The company's ability to manage its own activities operationally. Thus, we hypothesize that:

H₁ : *Corporate Governance* has a positive and significant effect on competitive capabilities

Integrated Quality Management:

Integrated quality management or Total Quality Management (TQM) is an application, oriented to quality planning, quality control, quality assurance, quality improvements made by the top management by engaging customers to build relationships that are correlated in product design. TQM is the practice of managing the organization as a whole so that organizations gain an edge on all the products and services that are important to customers (Tunggal, 2009:19). The concept of total quality management or TQM oriented operational activities conducted by the company refers to the 8 (eight) TQM perspective. Following are the eight TQM perspectives such as; (1) orientation to the customer ; (2) commitment of top management ; (3) customer involvement ; (4)

operational process quality ; (5) decision-making based on facts; (6) Continuous improvement, which did the creation of quality gradual and sustainable operations ; (7) supplier relationship ; and (8) product system approach. Eighth perspective is an indicator that builds operational TQM competitive operational performance (Gasparz, 2003: 6). We hypothesize that:

H₂: Integrated quality management has a positive and significant effect on competitive capabilities

Corporate Social Responsibility (CSR):

The company's success is inseparable from corporate responsibility to the survival of the internal and external environment (Davis, 2009: 28). The theory of social interaction in the perspective of business conduct', states that humans have always put the interests of the company and ignore the responsibility to the environment or society which results in fragility or social misunderstanding. This indication can be seen from unhealthy market competition, labor discrimination, violation of business licensing and waiver designation occupational risks (Carroll, 1999). The core application of CSR is the realization of socially responsible with five dimensions that impact on the development of the company. The fifth dimension is environmental, social, economic, stakeholders and voluntary. The fifth dimension is becoming an important indicator in the application of CSR that affect the competitiveness of companies and the achievement of operational performance (Davis, 2009: 69). CSR is described as a pyramid, which is composed of economic responsibility as the foundation, then the legal responsibility, then the responsibility of ethics, and philanthropic responsibilities are at the top of the pyramid. CSR is often defined as activities involved by the Company such as a donation or a firm's adherence to the laws and regulations (e.g., by the rules regarding the minimum wage, does not employ underage and others). Donations and other activities on legal compliance was only the minimum requirement for the company to operate and accepted by society (Hidayat, 2009: 71). CSR measurement using multiple dimensions; (1) Environmental dimension, namely the corporate environment that supports the creation of a good working relationship, (2) The social dimension of community is the responsibility of companies to engage customers to become part of the operational activities of the company, (3) The economic dimension of building a culture of *doing the right thing* for manage business risks occur, (4) Dimensions stakeholders is to encourage the government and the public to give permission or approval of business because it meets the standards of operation and concern for the environment and society at large, and (5) Dimensions voluntary namely the participation of employees with high qualifications and can improve perception, reputation and dedication in working for the progress of the company (Carroll, 2009; Davis, 2009). Thus, we hypothesize that:

H₃: Corporate Social Responsibility has a positive and significant effect on competitive capabilities

Operational Performance:

The operational performance is an important concept that is required by the company to assess and measure its success. The company's performance is an identity for the company's marketing activities in creating market opportunities. Operational performance is a measure of assessing the success of the company (Ojha *et al.*, 2013). Size to establish the relative performance assessments vary, depending on the assumptions in the assessment. Assessment of performance is the result of work achieved in the size of the assumptions used. Usually assessed on profitability, sales growth and market segments (Landy & Farr, 1980).

Operational performance is measured by; (1) production quality ;(2) production cost; (3) Free hand over to the ministry of operations; (4) Flexibility of production system that is unified series of operations-generated production activity, and (5) design quality. We hypothesize that:

H₄: Corporate governance has a positive and significant effect on operational performance

H₅: Integrated quality management has a positive and significant effect on operational performance

H₆: Corporate social responsibility has a positive and significant effect on operational performance

Competitive Capabilities:

Competitive capabilities are an introduction about various things about the market and market participants in a marketing system. Know competitiveness, is to know the needs, desires, expectations and customer loyalty to be nurtured and taken care by the Company (Jaworski & Kohli, 1993). Competitiveness is defined as the '*process of generating and providing market information for the purpose of creating superior value for consumers*'. Competitive capabilities as a one-dimensional construct, which consists of three components behavior, i.e. customer orientation, the orientation of the competitors and coordination of *interfunctional* coordination. The three components of these behaviors simultaneously and continuously directed at achieving the goals of competitiveness, creating superior value for customers continuously. Creation and

development of superior value for customers is built through the collection and coordination of information about customers, competitors and other factors that could affect the market significantly, as the competitiveness can be seen as an organizational culture that is externally oriented, where the orientation of customers and competitors as well as coordination intra-company cross-functional manifestations and the size of the market-oriented corporate culture (Narver & Slater (1990).

Measurements include competitiveness; (1) The cost efficiency is the company cost reductions that are too high to *control waste* and production costs, (2) Improvement of the quality that the company prioritizes and compare the design requirements with product quality requirements, (3) level of flexibility, a company that quickly perform adjustments to the circumstances have changed with engineering innovation according to customer desires, and (4) timeliness(*delivery*)is a company priority to speed, timeliness and customer confidence in the delivery of products. Thus, we will hypothesize that:

H₇: Competitive capabilities has a positive and significant effect on operational performance

H₈: Corporate governance has a positive and significant effect on operational performance through competitive capabilities

H₉: Integrated quality management has a positive and significant effect on operational performance through competitive capabilities

H₁₀: Corporate social responsibility has a positive and significant effect on operational performance through competitive capabilities.

SIGNIFICANCE OF THE STUDY:

The importance of implementation of corporate governance, TQM and CSR on competitiveness and operational performance demonstrated in various studies earlier. There is a positive and significant linkage between the implementation of corporate governance on financial performance (Muhammad Ali Fatzal, 2005).. The causality more integrated quality management positively to the improvement of operational performance (Chee Lie Bauw & Joan Chin, 2008). Governance is a positive and significant impact on the competitiveness and performance (James Thomas Kunnanatt, 2007). The previous study explained on the implementation of corporate governance practices, which have a direct impact on competitiveness and improved operational performance. From the results of previous studies by different researchers, recommendations were given that the corporate governance influence positively and significantly to competitiveness, but as for recommending a significant negative effect on competitiveness. While the influence of governance is directly related to the performance of positive and significant impact on the operational performance with or without the support of the company's competitiveness. In general, the results of previous studies recommend that the company's needs to implement governance as an understanding of the importance of quality awareness, the importance of conducting quality audits, document control and process management (Muhammad Ali Fatzal, 2005; James Thomas Kunnanatt, 2007). Causality, namely implementation of quality management for the competitiveness and operational performance, that the integrated quality management determines operational performance improvement (Pei-Lee the *et al.*, 2008). Integrated quality management provides facilities to improve operational performance (Hatice, 2006). Integrated quality management has a significant effect on performance ((Hatane Samuel & Joni Zulkarain, 2011). Inconsistence findings indicated that integrated quality management is not significant on performance (Syamsul Bahri, 2012). Then explanation on integrated quality management influence on the competitiveness and performance, that integrated quality management is positive and significant (Ramlawati, 2010). Integrated quality management affects the competitiveness and performance (Angel R. Martinez-Lorente & Micaela Martinez-Costa, 2004). Integrated quality management has a significant effect on operational performance (Rodney & Alan, 2001). Integrated quality management affects the competitiveness and performance (Daniel & Micaela, 2009). Integrated quality management determines the achievement of operational performance (Keng Boon *et al.*, 2008). Implementation of integrated quality management support improved operational performance (Mehmet & Nevzat, 2012). Integrated quality management has a significant effect on the competitiveness and performance (Keng Boon *et al.*, 2008). Integrated quality management significantly to competitiveness and performance (Michael Beer, 2003). In general, previous studies have emphasized the implementation of TQM from the aspects of top management commitment, customer engagement, supplier relations and product design to ensure that the product quality can be managed well by the company in implementing competitiveness and the achievement of operational performance. In addition to examining the importance of corporate governance and total quality management, there are some previous researchers whom also examined the aspects of corporate responsibility to see the side of social relations made by the company in the face of competitiveness and operational performance improvement. Corporate Social Responsibility has a positive and significant effect on competitive capabilities and performance

(Michael Beer, 2003; Angel R. Martinez-Lorente & Micaela Martinez-Costa, 2004). Corporate Social Responsibility has a positive and significant effect on operational performance (Samuel Petros, 2005). The findings were obtained rebuttal, that the corporate social responsibility has a negative and significant effect on the competitive capabilities and performance (James Thomas Kunnanatt, 2007). The previous studies provide evidence that the competitiveness supports improvement in operational performance (Angel R. Martinez-Lorente and Micaela Martinez-Costa, 2002; Samuel Petros, 2005; Pei Lee *et al.*, 2008; Ramlawati, 2010). When generally analyzed to raise the competitiveness, of companies required production cost efficiency, maintain product quality, do the flexibility of the product and provide ease in delivery of products to customers. That in order to improve operational performance, management strives to always improve profitability, increase sales growth and expand market share.

RESEARCH METHOD:

The study was conducted on 127 manufacturing companies in the Makassar Industrial Area (KIMA). But 43 companies only have installed proper corporate governance practices, integrated quality management and social responsibility in place. The unit of analysis is the manager of any company consists of production managers, financial managers and marketing managers. Thus, in the manufacturing company assigned three people to be the respondent as samples, so that the number of samples of 43 companies is $3 \times 43 = 129$ respondents. Data analysis was performed using the analysis of *Structural Equation Modeling* (SEM), through the program *Moment of Structural Analysis* (AMOS) Ver.18 with SPSS version 17.0.

RESULTS:

The test results show that the models of the eight criteria for goodness of fit index structural the model was constructed to estimate the parameters in accordance with the Data of observation. Overall criteria had already qualified minimum threshold (cut-off point) required, such as the value of Chi-square ($df= 288$) with cut-off value = $310\ 496 < 328\ 580$, Probability = $0.175 \geq 0.05$ RMSEA = $0.025 \leq 0,08$, CMIN / DF = $1,078 \leq 2:00$, GFI = $0.855 \leq 0.90$, AGFI = $0.810 \leq 0.90$, CFI = $0.984 \geq 0.95$, TLI = $0.980 \geq 0.95$ (Fit indices for structural equation modeling).

Effect of corporate governance on competitive capabilities:

Corporate governance is an important part of improving competitive capabilities. Corporate governance is the form of the methods used to manage a company so as to realize the competitive capabilities. The results of the study provide evidence corporate governance has a positive and significant effect on competitive capabilities (supporting H₁). These results prove that all the indicators of good governance in the form of fairness, transparency, accountability, responsibility and independence of positive and significant impact on the competitiveness of companies in the context of the use of cost-efficient, quality improvement, increased flexibility and timeliness of delivery of operationally. These findings are consistent with the findings of other researchers, that the implementation of governance is very difficult to improve the competitiveness of companies (Michael Beer, 2003; Keng Boon Ooi *et al.*, 2007; James Thomas Kunnanatt, 2007).

Effect of integrated quality management on competitive capabilities:

Integrated quality management applied in manufacturing companies become important and necessary to deal with competitive capabilities. Integrated quality management is in the form of an integrated quality management practices and integrated, involving the entire company to realize the competitiveness of manufacturing companies. The results of the study provide evidence that the integrated quality management has a positive and significant effect on competitive capabilities (supporting H₂). All the indicators integrated quality management in the form of customer orientation, commitment of top management, customer involvement, process approach, decision making, continuous improvement, partnership and product design systems approach in practice proven to improve the application of quality management. This study supports the findings of previous investigators partly; that the integrated quality management has a negative and significant effect in improving the competitiveness of companies (Michael Beer, 2003; Keng Boon Ooi *et al.*, 2007; James Thomas Kunnanatt 2007; Ramlawati, 2010).

Effect of corporate social responsibility on competitive capabilities:

Corporate social responsibility is applied in manufacturing companies become important and necessary to deal with competitiveness. Corporate social responsibility is in the form of business operations conducted by the company to commit to not only improve the company's profit financially, but to establish a social economy in the surrounding environment and sustainable company in realizing the company's competitiveness. The findings

of this study, that Corporate social responsibility has a positive but not significant effect on competitive capabilities (H_3 can only be partially supported). All the indicators of social responsibility such as environmental dimensions, social, economic, stakeholder and voluntarily gave a positive influence in the implementation of social responsibility in manufacturing, which contributes no significant effect on the competitiveness of enterprises, because the responsibility is likely to be the spirit of moral enterprise that is not too related with competitiveness to be achieved. This study is supported in part earlier evidence, that the adoption of social responsibility to give effect to enhance the competitiveness of companies (Michael Beer, 2003; Keng Boon Ooi *et al.*, 2007; James Thomas Kunnanatt, 2007).

Effect of corporate governance on operational performance:

The company's success in developing the company's operating activities is determined by the application of corporate governance as an important and necessary to carry out operational activities in accordance with the production achievement. Assessment of the production is rated as the achievement of operational performance. That is why manufacturers seek to implement corporate governance in accordance with the principles of corporate governance to achieve company goals. The results of this study provide evidence that the practice of corporate governance in the show through fairness, transparency, accountability, responsibility and independence has a positive and significant effect on operational performance (supporting H_4). This study is relevant to earlier findings that corporate governance provides has a positive and significant effect on operational performance (Michael Beer, 2003; Keng Boon Ooi *et al.*, 2007; James Thomas Kunnanatt, 2007).

Effect of integrated quality Management on operational performance:

Integrated quality management is the company's ability to manage in an integrated manner to produce a quality product and suggest to the company that produced quality production. It is always emphasized by the company's attention to the importance of integrated quality management to increase the company's operational performance. The results of this study prove that there is positive and significant effect between integrated quality management with the company's operational performance. All the indicators integrated quality management in the form of customer orientation, commitment of top management, customer involvement, process approach, decision making, continuous improvement, partnership and product design systems approach has significant impact on the company's operational performance (supporting H_5). This study rejected most findings of previous investigators, that the integrated quality management (TQM) has a negative effect in improving the company's operational performance (Michael Beer, 2003; Keng Boon Ooi *et al.*, 2007; James Thomas Kunnanatt 2007; Ramlawati, 2010).

Effect of corporate social responsibility on operational performance:

Work environment which is in contact with social responsibility as a social spirit for companies to institutionalize and coordinate workers in a system of responsibility in the company. Implementation of social responsibility has a dimension that is associated with the environment of companies that contribute to a good working relationship, degraded environment, social community around the company, social responsibility in growing the local economy, pushing to get the responsibility of multiple stakeholders on licensing activities of companies and the social responsibility of the voluntary worker participation in improving the company's existence to develop operational performance. The results of this study provide evidence that corporate social responsibility has a positive but not significant effect on operational performance. All the indicators of social responsibility based on the environmental dimension, the social dimension, the economic dimension, the dimension of stakeholders and the voluntary dimension is not significant in improving the operational performance of manufacturing companies. That responsibility is not significant to the company's operational performance because social responsibility is not in direct contact with the company's operations, but the spirit of corporate social responsibility related to social workers and social environment around the company (H_6 can only be partially supported). These findings partially support the results of previous research, that corporate social responsibility (CSR) provides a positive and significant influence over the competitiveness of the company's performance (Michael Beer, 2003; Keng Boon Ooi *et al.*, 2007; James Thomas Kunnanatt, 2007).

Effect of competitive capabilities on operational performance:

The competitive capabilities to grow and thrive in the competitive business competition in grabbing market share representative. The existence of the competitiveness of enterprises is decisive in achieving the operational performance. Therefore the company seeks to achieve management success in managing the available resources. The results of this study, competitive capabilities have a positive and significant effect on the company's operational performance. All the indicators of competitive capabilities such as cost efficiency, improved quality, the level of flexibility and timeliness in the delivery of a positive effect in improving the operational performance of the company, for the achievement of competitiveness is determined on the quality

of the output, production costs, speed the delivery of products, flexibility of production systems and the quality of design the resulting company (supporting H₇). The results of this study differ from previous research findings that the competitiveness of companies has decreased, so the company's operational performance is difficult to achieve (Michael Beer, 2003; James Thomas Kunnanatt, 2007; Keng Boon Ooi *et al.*, 2007; Ramlawati, 2010).

Effect of corporate governance on operational performance. The mediating role of competitive capabilities:

Corporate governance plays an important role for the company to grow and progress. The share of governance for a company largely determines the competitiveness of enterprises to improve the operational performance of the manufacturing company. This shows that governance becomes an important variable to enhance the competitiveness of companies and the realization of the achievement of the company's operational performance improvement. The research proves that indirectly corporate governance through competitive capabilities has a positive and significant effect on operational performance. This indicates that all the indicators of corporate governance to the principles of fairness, transparency, accountability, responsibility and independence to support the achievement of competitiveness of the manufacturing company's operational performance improvement (supporting H₈). This study is supported in part earlier evidence, that direct governance has a positive and significant effect on the operational performance (Michael Beer, 2003; Angel *et al.*, 2004; Muhammad Ali Fatzal, 2005; Chee Lie & Joan, 2008; Keng Boon Ooi *et al.*, 2007; James Thomas Kunnanatt, 2007).

Effect of Integrated Quality Management on operational performance. The mediating role of competitive capabilities:

Integrated quality management plays an important role for the company to have a big contribution to the achievement of corporate goals. The share of integrated quality management for a company largely determines the competitiveness of enterprises to improve the operational performance of the manufacturing company. This shows that the integrated quality management becomes an important variable to enhance the competitiveness of companies and the realization of the achievement of operational performance improvement of existing manufacturing companies in the Industrial Area Makassar. The results of the study provide evidence that indirectly integrated quality management through competitiveness positive and significant impact on the operational performance of manufacturing companies. This indicates that all the indicators of quality management in the form of customer orientation, commitment of top management, customer involvement, process approach, decision making, continuous improvement, partnership and product design systems approach in practice can improve a manufacturing company's operational performance (supporting H₉). , Results of previous research that is relevant to this study, that the adoption of TQM indirectly impact the company's performance (Michael Beer, 2003; Hatice, 2006; James Thomas Kunnanatt, 2007; Keng Boon Ooi *et al.*, 2007).

Effect of corporate social responsibility on operational performance. The mediating role of competitive capabilities:

The existence of social responsibility for a company determines the competitiveness of enterprises to the achievement of operational performance. But social responsibility becomes an important variable in the spirit of moral for the company to improve the competitiveness of companies and the realization of the achievement of the company's operational performance improvement. The results of the study provide evidence that the indirect social responsibility through competitiveness has a positive but no significant effect on the operational performance of the manufacturing company. This indicates that all the indicators of social responsibility based on the environmental dimension, the social dimension, the economic dimension, the dimension of stakeholders and the voluntary dimension is not significant in the achievement of competitiveness to increase the company's operational performance (H₁₀ can only be partially supported). The cause significant social responsibility through the competitive capabilities of operating performance due to the actualization of social responsibility is not directly related to the competitiveness and improved performance of the company. Responsibilities tend to be oriented to the psychological aspects of labor and working conditions, while the competitiveness and operational performance oriented towards achieving the company's work. Here are described each of the indicators of social responsibility through the competitiveness effect on the company's operational performance. This study is supported in part earlier findings, that either directly or indirectly social responsibility (CSR) provides a positive and significant influence over the competitiveness of the company performance (Michael Beer, 2003; Keng Boon Ooi *et al.*, 2007; James Thomas Kunnanatt, 2007).

CONCLUSION AND RECOMMENDATIONS:

Implementation of the corporate governance in accordance with the principles of fairness, transparency, accountability, responsibility and independence in its implementation can improve the competitiveness of

companies. Integrated quality management must be customer oriented with meeting the appropriate commitment of top management, customer engagement, through a process approach, decision-making, procurement of continuous improvement, the creation of partnerships and approaches product design system, which has been implemented properly can realize the competitiveness of companies.

Corporate Social Responsibility is high, but not significantly impact the competitiveness of manufacturing companies. Social responsibility such as environmental dimensions, social, economic, stakeholder and voluntary contribution are not as obvious in improving the competitiveness of companies. Implementation of the governance of the manufacturing company to support the achievement of operational performance based on the principles of fairness, transparency, accountability, responsibility and independence. Integrated quality management contributes to the company's operational performance in accordance with customer orientation, as top management commitment, customer engagement, through a process approach, decision-making, procurement of continuous improvement, the creation of partnerships and systems approach to product design. Social responsibility is high however and unable to improve the operational performance of the company, because in practice social responsibility tends to be the moral spirit of the company. Competitiveness is positive and significant impact on the operational performance of manufacturing companies in the Industrial Area Makassar. The company's ability to grow and develop through cost efficiency, improved quality; the flexibility and timeliness of delivery have a significant effect on the achievement of the company's operational performance.

Good governance was found to improve operational performance through the company's competitiveness. Implementation of the governance of the manufacturing company indirectly supports the achievement of competitiveness and operational performance because it has been in accordance with the principles of fairness, transparency, accountability, responsibility and independence. Integrated quality management has a positive and significant effect on operational performance as a mediating role of competitive capabilities in the Industrial Area Makassar. Integrated quality management indirectly contribute to the achievement of competitiveness and operational performance of the company because it has a customer-oriented, appropriate commitment of top management, customer engagement, through a process approach, decision-making, procurement of continuous improvement, the creation of partnerships and systems approach product design. Social responsibility has a positive but not significant effect through the competitiveness of the company's operational performance. Social responsibility indirectly its contribution does not significantly affect the competitiveness and performance of the company's operations, as responsibilities tend to be moral enterprise spirit which is not too related to competitiveness to be achieved.

Good governance and according to the principles of fairness, transparency, accountability, responsibility and independence to be able to achieve a competitive competitiveness of manufacturing companies. Improved integrated quality management that keeps a customer-oriented, appropriate commitment of top management, customer engagement, through a process approach, decision-making, procurement of continuous improvement, the creation of partnerships and systems approach to product design, so that the competitiveness of manufacturing companies can be realized. Concern the management company to demonstrate high social responsibility in the workplace environment, social, economic, stakeholder and voluntary manner to improve the competitiveness of manufacturing companies. Management companies should maintain the principle of good governance in manufacturing firms to support the achievement of operational performance. Implementation of integrated quality management contributes to the achievement of operational performance on a customer-oriented company. In order to maintain the competitiveness of companies continue to grow and develop through cost efficiency, improved quality, the flexibility and timeliness in delivery to improve the achievement of the company's operational performance. Maintain integrated quality management that contributes to the achievement of competitiveness and operational performance of the company. It takes a strong effort on the part of the company's management to increase the social responsibility so as to improve the competitiveness and operating performance by making moral responsibility as the spirit of enterprise to achieve a competitive market share.

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