

## ABSTRACT

### **The Influence of Total Quality Management Factors on Internal Business Process and Competitive Advantage of Manufacturing Industry in East Java that Received ISO 9000**

The purpose of the study is to analyze and test the influence of leadership, employee involvement, information, and the relation with suppliers on internal business process and competitive advantage of manufacturing industries in East Java.

The study was carried out at 110 manufacturing companies in East Java that have received ISO 9000 certificate. Data were collected through questionnaire and interview for six months, from December 2005 until May 2006. Hypotheses were tested with Structural Equation Modeling that is an integrated approach among factor analysis, structural model, and path analysis. Statistical software of AMOS 4.0 was used to analyze the data.

The result of the study shows that leadership and information are significant and positively influencing internal business process of manufacturing companies. Meanwhile employee involvement and the relation with suppliers are not significant. The result found that competitive advantage of manufacturing companies are significantly influenced by leadership, employee involvement, information, the relation with suppliers, and internal business process. Specifically, leadership have negative influence on competitive advantage indicating that management of manufacturing industries are more emphasized on competitive advantage of the industry than empowering employee. The hypotheses of the influence of leadership and employee involvement on internal business process and the influence of leadership on competitive advantage are rejected.

In order to increase the competitive advantage of manufacturing companies in East Java, policy formulation should be done to increase employee involvement, improved information, the relation with suppliers, and internal business process.

**Keywords:** leadership, employee involvement, information, supplier, internal business process, competitive advantage.