

Effects of TQM Practices Against Outsourcing Employee Satisfaction and Loyalty Electricity Sector



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ABSTRACT: This study examines the relationship of Total Quality Management (TQM) to the satisfaction and loyalty of Outsourcing PT employees. PLN Bungo area, Indonesia. The TQM variables used include employee training, employee empowerment, teamwork, employee compensation, and management leadership. The research results are poured into a theoretical model that shows the satisfaction and loyalty of outsourcing employees. This study uses structural equation modeling (SEM) with the Partial Least Squares (PLS) approach. The computer program used is SmartPLS version 3.0. The number of samples used was 176 respondents. The results showed that employee empowerment, employee compensation, teamwork, and management leadership were significant positive predictors of employee satisfaction, and employee loyalty can be increased through employee satisfaction.

KEYWORDS: Total Quality Management (TQM); PLN; Outsourcing; Employee satisfaction; employee loyalty.

INTRODUCTION

The increasing need for electrical energy encourages PT. PLN Bungo area is an organization that is oriented towards providing reliable, continuous, and evenly distributed electricity network services in all company work areas. To carry out its mission, PT. PLN Bungo area employs 367 outsourcing employees on the front lines of its operational services. Of these, 135 work in the electricity construction sector, which builds, operates, and maintains the network, while 232 people work in offices in the administration, finance, customer service, registration clerk, cashier, security, and cleaning services.

As a company engaged in the electricity sector, PLN has made various efforts to improve service quality through outsourcing employee satisfaction and loyalty. To realize this, the efforts made by PLN include TQM courses, employee empowerment, repair teams, employee compensation, and management leadership. With efforts to implement TQM for 15 years since 2006, PT. PLN Bungo Area tries to improve service quality through outsourcing employee satisfaction and loyalty. In this case, no model studies TQM practices' effect on outsourcing employees, so this study takes outsourcing employees as the study population to empirically determine the effect of TQM practices on employee satisfaction and loyalty.

Theoretical background and hypotheses

Total Quality Management (TQM) is a management approach to long-term success used by organizations worldwide to improve their products and processes and achieve customer satisfaction, which is considered a source of competitive advantage [1]. Furthermore, Camilleri [2] mentions the total quality in question is an approach in business that seeks to maximize an organization's competitiveness through continuous improvement of the quality of its products, services, people, processes, and environment.

Many empirical studies have shown that it is impossible to maintain a satisfied and loyal customer base without having satisfied and loyal employees. Research by Kurdi et al. [3] states that customer satisfaction is often related to improving employee attitudes and behavior. This is where an organization's importance is to understand the nature of employee satisfaction and loyalty, which refers to the practice of TQM, which explains the direct and indirect effects between employees and the presence of organizational satisfaction and loyalty.

Research Denrell & Kovács [4], mentions several problems that arise in implementing TQM, such as the low understanding of senior management about TQM, the absence of realization of an agreed plan, lack of support for teamwork, and failure to adapt

Effects of TQM Practices Against Outsourcing Employee Satisfaction and Loyalty Electricity Sector

improvement projects to employee resource skills. In the TQM literature, employee engagement, empowerment, and top management leadership and commitment are essential elements for the TQM program's success [5]. Also, Sweis et al. [6] stated that the factors of top management leadership and employee empowerment are considered the two most important principles of TQM.

One of the studies on this developed by Musenze et al. [7] also noted that teamwork and employee training are also important because organizations implement TQM. Another aspect of the employee training program to solve problems and exercise control during the work process can encourage continuous service quality, Van Assen [8]. Besides, the compensation variable is also assessed as an important principle of TQM. The compensation policy in which payments are based on each individual's achievement of goals will encourage a more effective TQM program in the company [9].

This study's main objective is to develop an empirical model that shows the relationship between TQM practices, employee satisfaction, and employee loyalty, including finding out how TQM practices impact employees of Outsourcing PT. PLN Bungo area. The hypothesis behind this research is that employee loyalty of Outsourcing PT. The level of employee job satisfaction influences PLN Bungo Area. Thus maintaining a loyal workforce is a prerequisite for successful TQM implementation. This is in line with various studies showing that TQM practice will directly affect employee job satisfaction [10], [11].

From the various discussions above, this study aims to determine how employee satisfaction and loyalty can be influenced by a series of TQM practices related to HRM, particularly for employee training, employee empowerment, teamwork, employee compensation, and management leadership. As the research model in Figure 1.

Employee satisfaction and loyalty

Theresa & Henry, C [12] define job satisfaction as the unification of the effects generated by the individual's perception of meeting his needs about work and the surrounding environment. Besides, employee satisfaction is defined as a pleasant emotional state resulting from their job appraisal, Dziuba et al., [13]. So that in general, employee satisfaction is assessed as an important motivator for employee performance, Ekundayo [14]. However, there are different views on the impact of employee loyalty. However, Hart and Thompson [15] stated that the concept of loyalty could be seen as a feeling that is tied to employee behavior in an organization [16].

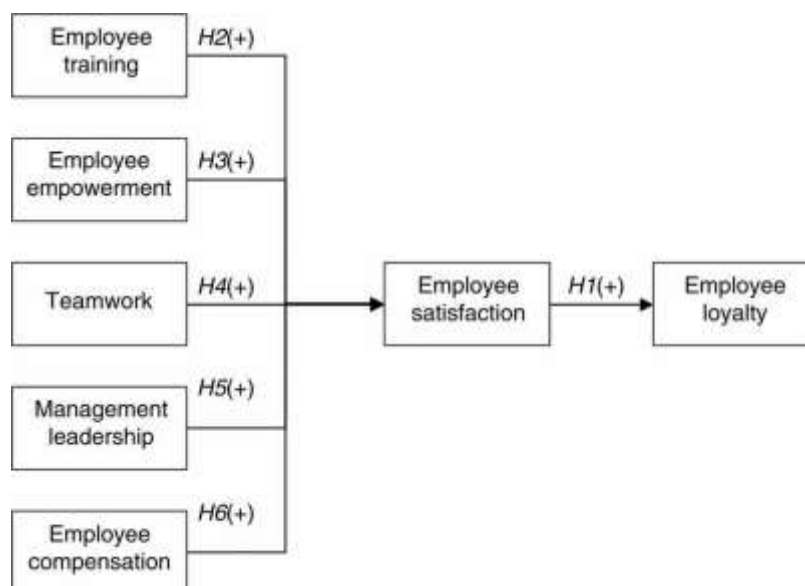


Figure 1. Conceptual model of the relationship between constructs

The implementation of TQM, a service from HRM, is believed to increase employee satisfaction and loyalty, leading to better productivity and service quality. Employee satisfaction and loyalty are seen as important to an organization's ability to respond effectively to customer needs [17]. Several studies have shown that employee satisfaction is positively related to employee loyalty to their company [18].

The results of these studies indicate that the organization must satisfy employees to be loyal. Several studies in the literature discuss performance as a mediating variable between satisfaction and loyalty. Other research findings on performance and satisfaction support linking performance with satisfaction, not loyalty with performance [19]. This study is intended to emphasize

Effects of TQM Practices Against Outsourcing Employee Satisfaction and Loyalty Electricity Sector

the practice of TQM and its effect on employee satisfaction and loyalty. Therefore, there must be a relationship between employee satisfaction and loyalty in the Jambi area of PLN. From the description above, the following hypothesis can be formulated:

H1: Employee satisfaction has a positive effect on employee loyalty.

Employee Training

Research shows that employee training positively impacts employee productivity, which results in a higher level of employee satisfaction [20]. Employee training provides employees with opportunities to expand their knowledge and skills to engage in more efficient teamwork. And achieving individual growth and development, Numerous studies have observed that workers who receive training have higher levels of job satisfaction than those who are not trained. Competency enhancement through various training programs has a positive impact on employee satisfaction [21]. Several studies also show the benefits of training, such as increased skills, motivation, higher productivity, and knowledge transfer from employees [22].

In particular, employee training is believed to improve employees' ability to perform tasks [23]. Employee training has also been found to facilitate skills renewal, increase professionalism and increase employee commitment and satisfaction to the organization, Joo et al., [24]. Different research studies have also argued that lack of training has been associated with shorter tenure, frustration, and job dissatisfaction [25]. Therefore, it is important to clarify the causal relationship between employee training and satisfaction, whether employee training will increase employee satisfaction or not. From the description above, the following hypothesis can be formulated:

H2: Employee training has a positive impact on employee satisfaction.

Employee Empowerment

The definition and construction of empowerment have been put forward by Billy et al. [26], which defines empowerment as a process of increasing feelings of self-efficacy among organizational members through the identification of conditions that encourage helplessness, and through the elimination of formal organizational practices and informal techniques in providing information. Dinko & Heyns [27] mentioned employee empowerment as one of the most important principles of TQM. Thus, in TQM organizations, employee empowerment operates by encouraging employees to respond to quality-related issues and giving them the resources and authority.

Research also shows that empowered employees have higher levels of job satisfaction and performance primarily because of their involvement in goal setting and decision-making that affects their work [28]. Furthermore, Bharadwaja & Tripathi [29] admitted that empowerment positively affects employee attitudes and behavior. Many studies have found that empowerment programs provide positive work experiences to employees and lead to higher employee satisfaction [30]; [31]. From the description above, the following hypothesis can be formulated:

H3: Employee empowerment has a positive impact on employee satisfaction.

Teamwork

Teamwork means working together involving groups of interdependent employees who work cooperatively to achieve common goals [32]. Teamwork can still be a source of employee cohesion, meaning bonding with team members and satisfaction [33]. An effective team working together towards a common goal can improve work motivation and increase job satisfaction [34].

Research on teamwork has shown that team members' job satisfaction is determined by several factors such as team composition, group processes within the team, and the nature of the work itself [35]. These factors operate in combination; there is no simple process by which teamwork affects job satisfaction. Therefore, employee satisfaction cannot accurately predict whether teamwork will be included. From the description above, the following hypothesis can be formulated:

H4: Teamwork has a positive impact on employee satisfaction.

Management Leadership

The relationship between leadership behavior and job satisfaction has also received a lot of attention in previous research. Previous research has examined the relationship between management leadership and job satisfaction. Research findings report a positive relationship between leadership behavior and job satisfaction [36]. When leaders are careful to help and support employees who are contacted and concerned about their needs, they will feel more satisfied [37]; [38].

Such supportive leader behavior has been found to be associated with employee job satisfaction [39]. Leaders set service standards with their behavior and management style, [40]. Management leadership is an important element in creating and maintaining an effective and positive service orientation. However, another research study found no relationship between management leadership and employee satisfaction [41]; [42]. From the description above, the following hypothesis can be formulated:

H5: Management leadership has a positive effect on employee satisfaction.

Effects of TQM Practices Against Outsourcing Employee Satisfaction and Loyalty Electricity Sector

Employee Compensation

The employee compensation system is most often considered as one of the key factors affecting employee satisfaction [43]; [44]. Previous research has shown that employee compensation positively affects employee job satisfaction [45]. Employee compensation often consists of financial and non-financial rewards for individuals and teams contributing to TQM efforts [46]. Employee rewards are positive reinforcement, ensuring that service excellence is the company's top priority [47]. However, management compensation is not always related to achieving quality objectives. Service researchers have shown that to ensure quality, and an organization should reward its employees based on their behavior rather than their results [48]; [49]. Therefore, employee compensation is also significant in determining employee satisfaction. From the description above, the following description can be formulated:

H6: Employee compensation has a positive effect on employee satisfaction.

RESEARCH METHOD

Population dan Sample

The population of this study was 372 employees of Outsourcing PT. PLN Bungo Area. A population sampling is carried out stratified in 39 work units that provide direct services to previously randomly selected customers. Sampling begins with grouping members of the population into relatively homogeneous subgroups before sampling. Then random sampling is applied in each sub-population. Stratified sampling improves sample representativeness by reducing sampling errors, Hamed Taherdoost, [50].

A total of 200 PLN Outsourcing employees participated as respondents in the study. Respondents were asked to fill out a survey in direct interviews. Questionnaires were distributed and collected in each work unit. In this way, the anonymity and confidentiality of the answers are guaranteed. A total of 167 completed questionnaires could be returned, or 83.5% of the questionnaires were redistributed [51].

The demographic characteristics of the sample are described in Table 1.

Table 1. Demographic characteristics of sample.

Demographic variable	Sample composition	
Gender	Men	19.6%
	Women	80.4%
Age	Over 51 years	0.6%
	41–50 years	18.5%
	31–40 years	39.9%
	21–30 years	31.0%
	Less than 20 years	10.1%
Education	Graduate degree	10.7%
	Some graduate work	41.7%
	University or college degree	35.7%
	Some university or college	11.9%
Government work experience	Secondary school or less	0.0%
	Less than 1 year	11.3%
	1–5 years	31.5%
	6–10 years	18.5%
Department work experience	Over 10 years	38.7%
	Less 1 year	14.3%
	1–5 years	47.0%
	6–10 years	14.9%
	Over 10 years	23.8%

Measurement

The measurement scale is important because it reflects the context of the study. In this study, all question items were rated on a scale of five, with a range of 1 ¼ Strongly disagrees, 3 ¼ Neutral, and 5 ¼ Strongly agree. All variables measured as latent, reflective constructs (see Table 2) were captured indirectly by direct measurement items. Employee loyalty is measured by a scale developed by Blake et al. [52]. Employee satisfaction is measured using a scale developed by Homburg and Stock [53]. Jun et al., [54]: (1) employee compensation; (2) employee empowerment; (3) teamwork; (4) management leadership; and (5) employee training. The TQM practices are identified as shown in Table 2 below:

Table 2. Measurement.

Constructs	Items
Employee Loyalty	4
Employee Satisfaction	4
Employee Empowerment	3
Employee Training	3
Teamwork	3
Employee Compensation	3
Management Leadership	3

Data analysis and results

Structural equation modeling (SEM) is used to analyze data on the causal relationship between variable constructs. SEM analysis is used because SEM can analyze all pathways in one analysis [55]; [56]. While the Partial Least Squares (PLS) approach is considered superior to other SEM approaches for this study because of its flexibility in distribution assumptions, small sample size requirements, and its strength in handling complex prediction models [57]; [58]. On the other hand, PLS supports exploratory research, and this study uses PLS as a proposed research model, which is consistent with all currently available theoretical knowledge and collects data to test the theory [59]. According to Erlita & Priyanto, [60], the computer program used for this analysis is SmartPLS version 3.0, because this research aims at theory development rather than theory testing.

The data analysis procedure with PLS suggested by Hulland was followed and selected using the bootstrap method to determine the significance of the structural model paths. Standard error parameters are calculated based on 500 bootstrap processes [61]. The sample size of 167 exceeds the recommended minimum number of 60, which represents 10 times the: (1) number of items comprising the most complex constructs; or (2) the number of independent constructs that directly affect the dependent constructs [62]. According to Henseler et al., [63], the PLS model is analyzed and interpreted in two stages. In the first stage, the measurement model must be tested by conducting a validity and reliability analysis on each model measure to ensure that only reliable and valid construct measures are used before conclusions about the construct relationships' nature are drawn. In the second stage, the structural model is tested by estimating the path between the model's constructs, determining its significance, and the model's predictive ability.

Reliability and convergent validity

The measurement model's adequacy is evaluated by the criteria for reliability, convergent validity, and discriminant validity. Reliability and validity were tested by taking into account: (1) the reliability of individual items; (2) convergent validity of the measures associated with individual constructs; and (3) discriminant validity. First, the reliability was checked using the composite reliability value. Table 3 shows that all values are above 0.8, which is the generally accepted explanatory research level.

The convergent validity of the scale was verified using two criteria suggested by Sujit & Rajesh [64]: (1) all indicator loads must be significant and exceed 0.7; (2) the mean of variance extracted (AVE) by each construct must exceed the variance due to the measurement error for that construct (AVE must exceed 0.50). For the current measurement model, most of the indicator loads are above the 0.70 thresholds (see Table 4), one is expected at 0.63. AVE ranges from 0.69 - 0.79 (see Table 3). Hence, both conditions for convergent validity were met.

Table 3. Reliability and convergent validity.

Constructs	AVE	Composite reliability	R square	Cronbach's Alpha
Compensation	0.74	0.89	—	0.82
Loyalty	0.68	0.90	0.59	0.84
Leadership	0.72	0.89	—	0.81
Empowerment	0.79	0.92	—	0.87
Satisfaction	0.69	0.90	0.66	0.85
Training	0.76	0.90	—	0.84
Teamwork	0.74	0.90	—	0.83

Table 4. PLS confirmatory factor analysis and cross-loadings.

	CP	LO	LS	PO	SA	TR	TW
CP1	0.88	0.48	0.53	0.49	0.58	0.47	0.40
CP2	0.85	0.45	0.44	0.39	0.46	0.42	0.39
CP3	0.85	0.53	0.52	0.46	0.54	0.46	0.51
LO1	0.45	0.86	0.58	0.60	0.69	0.57	0.62
LO2	0.44	0.83	0.58	0.48	0.59	0.46	0.48
LO3	0.44	0.86	0.54	0.43	0.64	0.40	0.52
LO4	0.55	0.76	0.52	0.49	0.60	0.46	0.48
LS1	0.43	0.49	0.79	0.59	0.58	0.55	0.60
LS2	0.50	0.61	0.87	0.66	0.64	0.66	0.56
LS3	0.54	0.59	0.89	0.77	0.69	0.67	0.64
PO1	0.40	0.54	0.67	0.90	0.63	0.65	0.59
PO2	0.50	0.57	0.75	0.89	0.65	0.70	0.67
PO3	0.49	0.51	0.70	0.88	0.62	0.63	0.57
SA1	0.42	0.63	0.71	0.68	0.89	0.50	0.53
SA2	0.43	0.64	0.69	0.71	0.88	0.55	0.64
SA3	0.68	0.56	0.52	0.43	0.73	0.38	0.46
SA4	0.56	0.72	0.57	0.54	0.82	0.47	0.52
TR1	0.45	0.54	0.67	0.68	0.53	0.88	0.61
TR2	0.49	0.43	0.60	0.61	0.47	0.85	0.58
TR3	0.43	0.51	0.66	0.65	0.49	0.88	0.62
TW1	0.54	0.51	0.63	0.62	0.51	0.64	0.85
TW2	0.38	0.53	0.66	0.67	0.56	0.63	0.88
TW3	0.39	0.61	0.55	0.50	0.60	0.54	0.85

Discriminant validity

Discriminant validity implies that a particular construct's size is different from others Ronkko & Cho, [65]. The discriminant validity of the scale assessed using the AVE square root of the construct should be greater than the co-correlation between that construct and others in the model. Table 5 lists the correlations between the constructs, with the square root of the AVE diagonals. All diagonal values exceed the correlation between constructs; then, the discriminant validity test can be accepted. Therefore, we conclude that the scale must have sufficient construct validity.

Path coefficients and predictive ability

The structural model assessment involves estimating the path coefficient and R² value. The path coefficient shows the strength of the relationship between the independent and dependent variables, while the R² value is a measure of the model's predictive power for the dependent variable. Table 6 and Figure 2 show the path coefficient, significance level, an R² value of the endogenous variables. The PLS analysis results (see Figure 2) show that only one hypothesis has a negative effect, and the other hypotheses are supported. Thus the theoretical model proposed in Figure 1 is partially supported. In this study, the model accounted for 58.7% to 66% of the variance (R² score). Additionally, all paths were significant at the 0.05 level (Figure 2). Thus, the overall fit of the model is good. Employee satisfaction increases organizational loyalty (b ¼ 0.82, p, 0.01). Employee empowerment (b ¼ 0.28, p, 0.01), teamwork (b ¼ 0.18, p, 0.05), management leadership (b ¼ 0.39, p, 0.01) and employees.

Effects of TQM Practices Against Outsourcing Employee Satisfaction and Loyalty Electricity Sector

Notes: CP: employee compensation; LO: employee loyalty; LS: management leadership; PO: employee empowerment; SA: employee satisfaction; TR: employee training; TW: teamwork. Square root of AVE is on the diagonal.

Table 5. Latent variable correlation matrix.

Constructs	CP	LO	LS	PO	SA	TR	TW
Compensation	0.86	–	–	–	–	–	–
Loyalty	0.57	0.83	–	–	–	–	–
Leadership	0.58	0.67	0.85	–	–	–	–
Empowerment	0.52	0.61	0.80	0.89	–	–	–
Satisfaction	0.62	0.77	0.75	0.71	0.83	–	–
Training	0.53	0.57	0.74	0.74	0.57	0.87	–
Teamwork	0.50	0.64	0.71	0.69	0.65	0.70	0.86

Table 6. Summary of the hypothesis test results.

Association	Hypothesis	Casual path	Path coefficients	t-value	Supported
Loyalty Satisfaction	H1	SA → LO	0.82	31.96 ^b	Yes
	H2	TR → SA	-0.17	2.08 ^a	No
	H3	PO → SA	0.28	2.84 ^b	Yes
	H4	TW → SA	0.18	2.24 ^a	Yes
	H5	LS → SA	0.39	3.86 ^b	Yes
	H6	CP → SA	0.25	3.37 ^b	Yes

Notes: aSignificant at p , 0.05 level; bSignificant at p , 0.01 level.

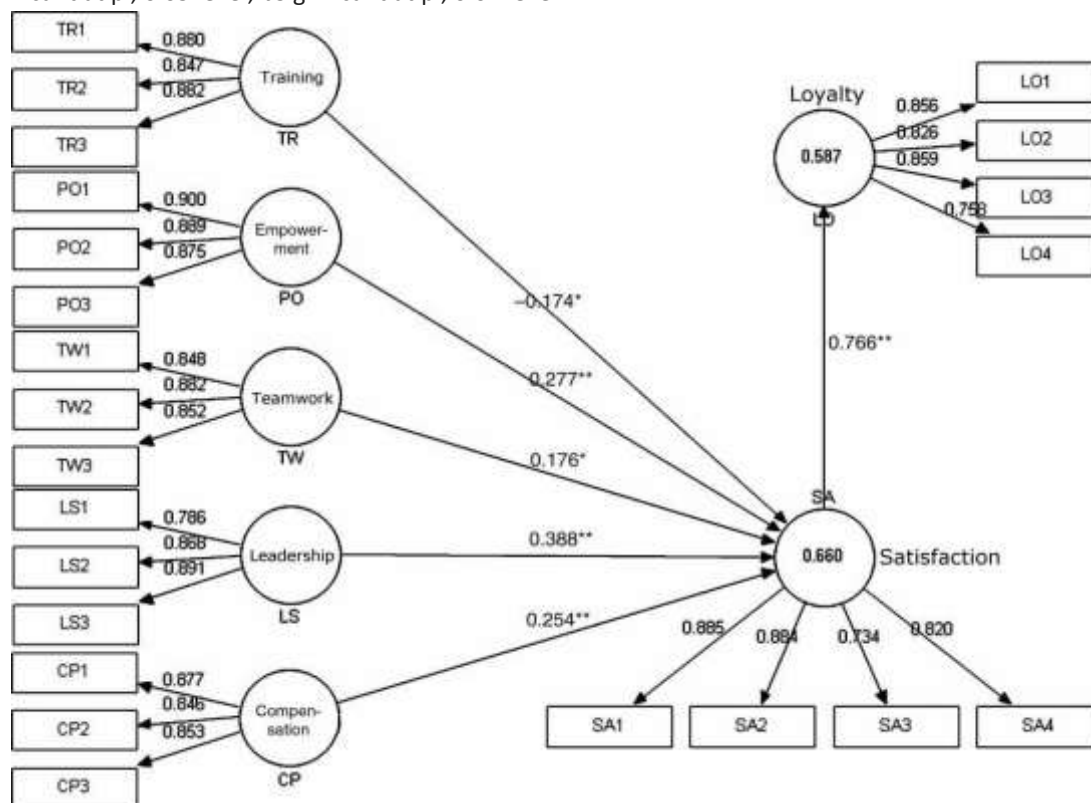


Figure 2. Structure model and results of the partial least-squares analysis.

Note: * significant at the 0.05 level; **significant at the 0.01 level.

Compensation (b = 0.25, p, 0.01) increases employee satisfaction. However, employee training (b = -0.17, p, 0.05) in this study showed a negative effect on employee satisfaction which deserves our attention. The R² value of the endogenous construct was 0.587 (employee loyalty) and 0.66 (employee satisfaction). Thus, it can be concluded that the hypothesized model can be used or accepted.

DISCUSSION

In the HRM study, this research shows the effects of TQM practice at PT. PLN Bungo area. The results prove that employee compensation, empowerment, teamwork, and management leadership have a significant and positive relationship with employee satisfaction. Several TQM researchers have previously examined the relationship between satisfaction and loyalty from an HRM perspective. Still, this study's results are important to examine the role of TQM practices in outsourcing employees, especially in the power sector.

This result is in line with various previous studies that state that employee satisfaction is positively related to employee loyalty. However, this research was conducted in the private electricity sector, namely PT. PLN Bungo area. The results showed that TQM practice indirectly affects employee loyalty through the mediating effect of employee satisfaction.

Theoretical implications

The implication of this research is to expand the study of HRM in the TQM program for employee outsourcing. The results show that many empirical similarities among TQM practices, such as employee satisfaction and loyalty, were also significant in this study. In other words, TQM as a holistic management philosophy can be applied in various types of organizations, such as for-profit or non-profit organizations. The results of this study confirm that outsourcing employee satisfaction has a significant positive effect on their loyalty to the organization, and the effect size is substantially large ($R^2 \frac{1}{4} 0.587$).

The strong relationship between employee satisfaction and employee loyalty can be attributed to its unique workplace culture. This study also found that all TQM practices will affect employee satisfaction. Management leadership, empowerment, teamwork, and employee compensation have a significant and positive effect on employee satisfaction. Increased employee satisfaction leads to a higher level of employee loyalty. In addition, this study found that employee training has a negative effect on employee satisfaction; it has broad implications for the size of the number of employees participating in a training conducted by the company.

Practical implications

This study's contribution is very important to enrich the literature on TQM carried out by companies, especially the management of outsourcing employees in organizations, because this relationship has rarely been studied before. The finding implies that employee satisfaction significantly affects their loyalty to the organization, resulting in company managers needing to increase overall employee satisfaction. The applied TQM practice must be seriously verified because it affects employee satisfaction. Because companies can increase employee satisfaction through TQM practices.

Furthermore, to empower employees to achieve higher job satisfaction levels, it is necessary to change work efficiently. This is important because employee involvement in goal setting and decision making affects the work they do. Proper empowerment can provide employees with positive work experiences and lead to higher employee satisfaction. Although teamwork has a significant effect on employee satisfaction, there are still several factors such as team composition, group process within the team, lack of knowledge of employees about the contributions of their co-workers, high levels of trust, or the nature of the work itself, which determine the construction of teamwork.

Future research may consider these additional factors when analyzing the effects of teamwork. The research findings state that there is a positive relationship between leadership behavior and job satisfaction. When leaders take care to help and support employees and raise concerns about their needs, they will feel more satisfied. Employee compensation often consists of financial and non-financial rewards for individuals and teams that contribute to TQM efforts and positively influence employee job satisfaction.

An important practical implication of this finding is that companies can increase employee loyalty through employee satisfaction. TQM practices carried out by PT. PLN Bungo area in this research is proven to increase employee satisfaction, except for training. Different research studies argue that a lack of training has been associated with shorter tenure, frustration, and job dissatisfaction. This study's results are also different: employee training has a negative effect on employee satisfaction, so it needs to be watched out for [66].

There are several reasons for this finding for findings on the effect of employee training on satisfaction, including: being associated with too long training hours; some training courses at PLN require too much time and manpower for outsourcing employees who already have a heavy workload. Therefore, company management needs to design and provide courses with appropriate hours of training. Another reason for the work management structure in the field makes employees less motivated to receive training because training creates expectations that cannot be met. After all, career opportunities are not available. Besides, the size of some of the training classes conducted by PLN tends to be too large, Hayat Aoumeur [67], in his research, concluded that people who received training conducted in small groups were more satisfied with education. So, keeping the training class small may be an effective way to increase satisfaction. Also, the training course design must be properly linked to the job skills and competencies

Effects of TQM Practices Against Outsourcing Employee Satisfaction and Loyalty Electricity Sector

required by employees. Finally, this study suggests that companies implementing training programs must be very careful in redesigning schedules and programs based on diverse employees' needs to effectively maintain the quality of training.

Another TQM practice that is also very important for PLN is to improve service quality.

Companies must organize employees as a team and build trust among team members. Companies can also provide employees with sufficient empowerment to make them feel more identified and reduce helplessness regarding policies. An effective strategy is to provide financial and non-financial rewards to organizational employees, especially non-financial rewards such as praise and recognition. The financial recognition system in the PLN system tends to be less flexible than private companies. Practically, an internal service quality award with an official ceremony, for example, has been held by PLN every year, so that Outsourcing employees get recognition and are motivated through non-financial rewards.

Furthermore, it is necessary to encourage company management leaders to pay more attention to employees in increasing satisfaction. Forging long-term relationships between management and employees can increase satisfaction. In corporate organizations, TQM variables, such as employee compensation, employee empowerment teamwork, and management leadership, must be implemented simultaneously, regardless of organizational and cultural context.

Limitations and future research

This research has several limitations to be used as a study to expand similar research in the future. First, the study is based on data collected from power companies in one area. Although there are some similarities among all company organizations, care is needed in generalizing the results of research, especially for those in other regions or countries. Thus, it is hoped that other studies will later be able to verify these results by studying the organization of companies located in different regions or other countries. Second, because the studies were conducted on five types of TQM practices related to human resources, while other important practices such as employee withdrawal, job security and selective new employee development, were excluded from the study model. Third, when examining the effect of employee satisfaction on employee loyalty, the mediating variable 'perceived performance' is ignored in the research model due to simplification considerations. Future studies can include performance to examine the mediating effect between satisfaction and loyalty.

CONCLUSION

This study proves that the satisfaction and loyalty of PLN Outsourcing employees can be increased through the implementation of TQM practices related to human resources. The empirical test of PLN's TQM practices shows that the model has a very strong relationship, with only one path showing a negative effect: employee training. These results indicate that employee empowerment, employee compensation, teamwork, and management leadership are significant positive predictors of outsourcing employee satisfaction.

Furthermore, this study proves that employee loyalty is built through employee satisfaction. Therefore, researchers must consider the unique corporate environment when investigating the relationship between training and satisfaction. With the various evidence above, this study is expected to contribute to the service management literature by supporting theoretically and empirically the results of the relationship between TQM practice and employee satisfaction and loyalty in companies that employ outsourcing employees.

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