The Role Of Product Quality, Quality Of Human Resources, And Corporate Culture In Improving Company Performance Through Business Strategy

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Abstract

This study aims to analyze of product quality, human resource (HR) quality, and company culture on business strategy. As well as the influence of product quality, quality of HR, corporate culture, and business strategy at company performance.

The population in this study is the manager of micro units for the 2021-2022 period which amounted to 147 with a sample using a population of 147 respondents and the data processed amounted to 102 respondents. Analyzer using SEM (structure equations modeling)

The results of investigation prove that product quality has a sign on business strategy. HR quality has a sign on business strategy. Corporate culture does not affect business strategy. The quality of the product does not affect the performance of the enterprise. The HR quality does not affect company performance. Corporate culture has a sign effect in company performance and business strategy has a sign effect on company performance.

Keyword: Product Quality, Quality OfHR, Culture, Strategy, Performance

INTRODUCTION

The company's important goal is to improve the well-being of its owners through an increase in the value of the enterprise. An increase in the value of the company can be achieved if the company can operate and achieve targeted profits (Thea et al., 2019). With the achievement of targeted profits, the company will be considered to have good performance. Through the profits earned, the company will be able to provide dividends to shareholders, increase the company's growth, and maintain its survival (Junita et al., 2018).

Company performance is a commonly used factor to measure the success rate of a company. The company's performance indicators are market share, asset rate of return (Return On Assets) and customer growth constitute the growth rate of customers compared to the previous year. (Vickery, 1993)

Phenomena related to the performance of private bank companies in Indonesia experienced a significant decrease in profitability in the 2019-2021 period. Quite a lot of things are driving the decline in the performance of private bank companies in Indonesia. One of the most complex things in the decline in the profitability of an enterprise is the quality of the products offered. With increasing knowledge, the Indonesian people are getting better at product selection, between products that have high quality and products with medium and low quality. (Cannatelli et al., 2017) prioritizing product quality has been recognized as one of the most promising strategies for microenterprises to compete successfully in the market. (Cannatelli et al., 2017) has...
confirmed that small companies have strong advantages in product quality advantages over large companies.

The research conducted explains that the company's performance can be positively and significantly influenced by the quality of the products offered. The higher quality (Y. Yang & Ju, 2017) as the product is introduced to society, is one of the main strategic factors in improving the performance of the company. This is inversely proportional to the research conducted and the results obtained that the quality of the product does not affect the company's performance. (Jonga et al., 2018) (Haji&Haji, 2014) (Kurniawan & Azkiya, 2016). There is equality of research results between product quality and company performance. Seeing this, this study added business strategy variables. The reason for choosing business strategy variables is that the better the business strategy, the higher the alignment of strategies that have a positive impact on optimizing company performance. The results of the same research prove that business strategy has a significant effect on improving business performance (Siregar et al., 2022). So the studies carried out; reveal that business strategies can improve business performance. (Faith & Novi, 2007). (Gani & Lindawati, 2011) (Acquaah, 2013) (Junita et al., 2018)

There are two things behind this research, the first is the decline in profit growth of Private Banks in Indonesia which shows that the company's performance is not optimal. The second is the gap in the results of previous research on product quality variables to company performance, then business strategy variables are added which are strengthened by the quality of human resources and company culture which are believed to be able to answer existing gaps.

The quality of resources is the result of work seen from the knowledge of employees in terms of understanding the vision and mission of the organization, the strategic plan for position analysis and job descriptions, and terms of the training that have been followed are classified as useful. Employee skills in terms of job and position suitability, recruitment and placement processes based on objective training and training that is followed to improve skills are classified as appropriate and employee abilities by seeing employees carry out tasks using a priority scale, ability to work, have enthusiasm and motivation and maintain coordination relationships between parts of the company (Mukodompis - Hendra, 2016). The research conducted obtained the results that the quality of human resources has a significant influence on the company's performance. (Mukodompis - Hendra, 2016)

Corporate culture in research refers to a system of shared meanings embraced by members that distinguish an organization from other organizations (Baidhowah, 2021). The system of shared meanings is a set of the main characteristics that the company ends. Controlling function and direction to shape attitudes and behavior in the organization required corporate culture. Individually or in groups, a person will not be separated from the company culture and in general, the members of the organization will be influenced by various existing resources (Sitio et al., 2015). Research conducted; it was found that organizational culture positively affects the company's performance (Umran et al., 2018) (Thoyib & Armanu, 2005) (Sitio et al., 2015). Based on this description, the formulation of the problem in this study is how to build a business strategy-based model to improve company performance.

The quality of the product reflects the effectiveness of the company's new products and the ability to introduce new products that outperform the company's competitors in terms of unique features, better quality, and according to market needs (Y. Yang & Ju, 2017). (Cannatelli et al., 2017) describes five main approaches to defining product quality: the transcendent approach,
the product-based approach, the user-based approach, the manufacturing-based approach, and the value-based approach. Further (Cannatelli et al., 2017) focuses their research on the transcendent approach for three reasons: first, product quality is defined as the "innate advantage" of an object, product quality is understood as "a simple property that can be recognized only through experience", and in this way is consistent with the typology of experiential goods. Secondly, as it is considered the term "logically primitive", "the quality of the product can be understood only after a person is faced with a series of objects that display his characteristics", which indicates the ability of individuals to detect qualities, depending on their quality familiarly with a particular product category (Cannatelli et al., 2017). Third, the transcendent approach has to do with the authenticity and quality of the brand.

The research conducted obtained the result that product quality has a sign effect on business strategy. The higher the product quality introduced, the higher the business strategy carried out (M.-J. Yang et al., 2015). The study (Cannatelli et al., 2017) proved that product quality can be a driving force towards superior performance for micro-companies that build niches in mature industries, which are largely dominated by standard quality and lower than large companies. Likewise, the research conducted obtained the results that product quality has a sign effect on company performance. The higher quality of the products introduced to society is one of the main strategic factors in improving the performance of the company. in the foregoing, the hypothesis is: (Junita et al., 2018)(Y. Yang & Ju, 2017)(Jonga et al., 2018)(Jonga et al., 2018)

The quality of human resources is the level of expertise of human resources in carrying out an activity or task sourced from education, experience, skills, health, and an optimal work ethic so that it can be used as a driving force for the company to be able to compete. The research conducted explains that resources that are difficult for competitors to replicate have a good cost-efficiency strategy. This can be interpreted to mean that the better the quality of human resources owned by the company, the company can reduce many expenses to bring in external company personnel (Juliana Jaya et al., 2020). The results of the study by the research conducted obtained the results that the quality of human resources has a significant effect on business strategy. (Gani & Lindawati, 2011)(Yunanto - Yogi, 2017)

The quality of human resources is also defined as the ability of human resources to carry out activity because they have created and are innovative in applying superior technology. (Sitohang et al., 2010). The intended ability to do all its work as a foothold launches a business strategy implemented by the company that is reflected in technical skills, mental attitude, discipline, and motivation so that the company's performance will improve. Beside these practices concerning performance, the work environment is also important to consider for organizational effectiveness. For example, research shows that an employee spent about a quarter to a third of their waking life at work (Yunanto - Yogi, 2017). So its responsibility of the organization to provide such working environment in which employee feels good, motivates and involved themselves; because a climate in which employee involved or perceived will be positively associated with organizational effectiveness in a hypercompetitive world (Yunanto - Yogi, 2017). The research obtained the results that the quality of human resources significantly influences the company's performance (Mukodompis - Hendra, 2016). Based on the description above, the hypothesis proposed is:
Corporate culture is the controller and direction in shaping the attitudes and behaviors of the members of an organization (Tsai, 2011). Individually or in groups it takes a long time for an organizational culture to form. Once formed, the culture tends to take root, making it difficult for managers to change it (Umrani et al., 2018). There is literature that explains the corporate culture of how organizations work and develops business strategies effectively to make them more effective (Sitio et al., 2015). The research conducted found that organizational culture has a positive effect on a corporate strategy where (Thoyib & Armanu, 2005) the company culture will make the company continue to vary into the business strategy of each business.

Organizational culture is the ability of a company that unique and cannot be imitated (Umrani et al., 2018). Organizational culture can be well-formed to achieve optimal performance. This research by (Zhao et al., 2018) explains that corporate culture does not affect the performance of small companies but has a significant influence on large companies. This relates to compensation, superior orders, company rules, employee activities, social responsibility, awards obtained, employee training, news, and media. Research conducted found that organizational culture positively affects the company's performance. Based on the description above, the hypothesis proposed is (Sitio et al., 2015); (Thoyib & Armanu, 2005)

The business strategy reflects the company's awareness of how, when, and where to compete with opponents and with what purposes and objectives. Business is a profit-seeking activity. All people or individuals or groups carry out business activities, of course, to seek profits so that their life needs are met. No one does business to find losses. Business strategy is a strategy of achieving goals that are often analogous to a chess strategy, where systematic thinking, plan preparation, agility to step, courage to take risks, and the spirit of winning matches are some of the characteristics of chess games relevant to business management practices. (Acquaah, 2013); (Junita et al., 2018); (Vickery, 1993)

The research carried out the better the business strategy, the higher the alignment of strategies that have a positive impact on optimizing company performance. The results of the same study prove that business strategy has a significant effect on improving business performance (Gani & Lindawati, 2011). So the studies carried out; reveal that business strategies can improve business performance. Based on the description above, the hypothesis proposed is (Faith & Novi, 2007); (Gani & Lindawati, 2011); (Acquaah, 2013); (Junita et al., 2018)

Performance is an achievement achieved by a person for an activity carried out within a certain period. Saying that performance is defined as work performance, work implementation, work results, or performance. While the company's work is the result or level of success achieved by a company in carrying out work by its authority and responsibility to achieve the vision and mission of the organization. Low performance is a result of low ability and or motivation. Company performance is the overall state of the company over a certain period, which is a result of achievement that is influenced by the company's operational activities in utilizing the resources owned (Fatimah et al., 2020). Performance is a general term used for part or all of an organization's actions or activities in a period concerning the number of standards such as past or projected costs, based on efficiency, (Sitohang et al., 2010) and management accountability or accountability. (Vickery, 1993)
The following research model is built with the variables of product quality, HR quality, Company Culture, Business strategy, and company performance.

![Research Model](image)

**Figure 1. Research Model**

**METHODS**

**Population and Sample Determination**

The population in the study is micro-unit managers at Bank Sinarmas throughout Indonesia which are known to have 179 micro units over time several micro units have closed so the population of micro-unit managers in the 2021-2022 period is 147. The sampling technique uses the census sampling method or sampling using the entire population. The method was chosen because of the sufficient number of the population by the terms of use of the SEM analyzer. For this reason, the sample taken in this study amounted to 147 respondents.

**Data Collection Methods**

The data collection method used in this study was the form of a questionnaire. The questionnaire is a data collection technique that is carried out by providing a set of questions or a written statement to the answers of the scope to be answered. Questionnaire questions or statements are made based on indicators of each research variable.

**Table 1. Variable Measurement**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Concept Definition</th>
<th>Indicators</th>
</tr>
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</table>
| Product Quality| Product quality is a relative choice of products and services offered by the company. It refers to the differences | 1. Compliance with specifications  
2. Privileges (*Featured*) |
Data Analysis

Structural Equation Modeling (SEM)

The analytical tool in this study is SEM (structure equations modeling). Path analysis model (SEM) that has been done, then obtained the value of the standardized model path coefficient and the calculated t value, from the test results, the following equation can be written (Ramadiani, 2010):

\[ Y_1 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \]
\[ Y_2 = \beta_4 X_1 + \beta_5 X_2 + \beta_6 X_3 + \beta_7 Y_1 + e \]

Hypothesis Testing

To test the research hypothesis with the t-test, that is, the test to find out the significance of the influence of free variables partially or individually explain the bound variables. Statistical testing by comparing the value of \( t > t \) (1.96) which means the hypothesis is accepted. (Ramadiani, 2010)

Sobel Test

The Sobel test is used to determine the influence of mediation variables, namely business strategy. A variable is called intervening if it affects the relationship between a free variable and a bound variable. (Ramadiani, 2010)

Feasibility Model (Goodness-of-Fit Test)

The goodness-of-fit test is used to test the meaningfulness of the model in explaining the relationship between the hypothesized variables

RESULT AND DISCUSSIONS

Path Model
The path analysis model with LISREL obtained the value of the coefficient of the standard model path and the calculated value of t.

Direct Influence

goalkeeper = 0.073*kupro + 0.001*kSDM + 0.47*buper + 0.47*strabis, Errorvar.= 0.29 , R² = 0.70

strabis = 0.38*kupro + 0.30*kSDM + 0.09*buper, Errorvar.= 0.60 , R² = 0.40

Indirect Influence

KP = (kupro*strabis) kupro + (kSDM* strabis) kSDM + (buper* strabis) buper
KP = 0.179 kupro + 0.141 kSDM + 0.042 buper

Hypothesis Testing

For hypothesis testing to find out the effect of free variables on bound variables by comparing the calculated t-value obtained from the path model with a table t of 1.96 which can be seen from the T-Value model.

Table 3. Hypothesis Testing
### Variable | T-value | > | T Statistics | Information
---|---|---|---|---
Product quality → Business strategy | 2.46 | > | 1.96 | Significant
Quality of Human Resources → Business Strategy | 1.96 | > | 1.96 | Significant
Corporate Culture → Business strategy | 0.55 | < | 1.96 | insignificant
Product quality → Company performance | 0.47 | < | 1.96 | insignificant
Quality of Human Resources → Company Performance | 0.05 | < | 1.96 | insignificant
Corporate Culture → Company performance | 2.87 | > | 1.96 | Significant
Business strategy → Company performance | 2.44 | > | 1.96 | Significant

Source: processed data, 2018

#### Sobel Test

**Figure 4. Sobel Test 1 Results**

The statistical test value of 2.42 is greater than 1.96. This means that business strategy variables have a significant effect in mediating the influence between product quality and company performance.

**Figure 5. Sobel Test 2 Results**

The statistical test score of 2.18 is greater than 1.96. This means that business strategy variables have a significant effect in mediating the impact of the HR quality in company performance.
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Figure 6. Sobel Test 3 Results

The statistical Sobel value of 0.82 is greater than 1.96. This means that business strategy variables affect mediating the influence between company cultures on company performance.

Feasibility Model (Goodness of Fit Test)

**Match Match Statistics**

Degree of Freedom = 80

Chi-Square Minimum Fit Function = 111.84 (P = 0.011)

Chi-Square Smallest Squared Weighted Normal Theory = 102.71 (P = 0.044)

Non-centrality Parameter (NCP) Estimation = 22.71

90 Percent Confidence Interval for NCP = (0.66 ; 52.89)

Based on the results of the goodness of fit test, a chi-square value of 116.84 was obtained with a significance level of 0.044 < 0.05. The estimated VALUE NCP on the model is 22.71 and the confidence interval value is 0.66; 52.89. The value is such a small value that it can be interpreted that the model is in the category of good enough or fit enough to be used as a research model.

**Discussion**

The results of this study prove that product quality with indicators of conformity with specifications, product features, and product aesthetics have a significant effect on business strategy. This means that the products offered by Private Banks in Indonesia to prospective customers are by applicable specifications, have privileges compared to other banks, and have their own aesthetic value that other banks do not have so that marketers can sell their products easily or in other words, the higher the quality of the product, the more the business strategy increases. The results of the research are by obtaining results that product quality has a positive and significant effect on business strategy. The higher the quality of the product introduced, the higher the business strategy carried out. (Junita et al., 2018)

The results of this investigation prove that HR quality with indicators of manager capabilities, manager commitment, and professionalism have a significant effect on business strategy. This means that private bank managers in Indonesia have high capabilities and commitments in carrying out their work, in addition to carrying out their work, private bank managers in Indonesia also prioritize professionalism. This is supported by the many experiences of managers in strengthening business strategies. The research conducted explains that resources...
that are difficult for competitors to replicate have a good cost-efficiency strategy. This can be interpreted to mean that the better the quality of human resources owned by the company, the company can reduce many expenses to bring in external company personnel. The results of the study by the research conducted obtained the results that the quality of human resources has a significant effect on business strategy (Gani & Lindawati, 2011) (Yunanto - Yogi, 2017).

The results of this study prove that corporate culture with indicators of market culture, corporate bureaucratic culture, and a culture of focus on change does not affect business strategy. One of the reasons is that private bank managers in Indonesia do not always focus on following the development of market culture, this is due to the precautionary principle applied, so it is hoped that managers will continue to pursue other strategies to overcome this situation. This research is contrary to finding that organizational culture has a positive effect on company strategy where (Thoyib & Armanu, 2005) the business culture will make the company continue to vary into the business strategy of each business.

The results of this study prove that product quality with indicators of compliance with specifications, product features, and product aesthetics does not affect the company's performance. One of the reasons is that private banks in Indonesia do not have products that are special enough in microcredit units compared to other banks, but private banks rely on a fast service process so that the company's performance can survive in market competition. Efforts toward the development of product quality are not easy thing. Because the employees must have good abilities and skills, special training is needed to create a quality product. The results of this study are the research conducted and the results obtained that the quality of the product does not affect the company's performance. (Kurniawan & Azkiya, 2016) (Hajjat & Hajjat, 2014) (Kurniawan & Azkiya, 2016)

The results of this study prove that the quality of human resources with indicators of manager capabilities, manager commitment and professionalism does not affect company performance. One of the causes is the age factor affecting professionalism since only 25% of managers of micro-units of sinarmas banks mature with experience. If dug deeper, it can be seen that the company's latest policy socialization has not been well distributed to HR at branch offices, but on the other hand, these weaknesses are not visible because local branch managers can optimize HR to close credit distribution targets. This is because the company rents or takes human resources from other banks so that customers feel comfortable and trust the products offered by HR. The results of this study are contrary to obtaining the result that the quality of human resources has a significant influence on the company's performance. (Mukodompis - Hendra, 2016). In general, this study is not consistent with previous studies and shown the positive relationship between SHRM practices and organization performance (Yunanto - Yogi, 2017)

The results of this study prove that corporate culture with indicators of market culture, corporate bureaucratic culture, and culture that focuses on changes have a significant effect on company performance. This means that private bank managers in Indonesia always follow the development of market culture, adhere to the company's bureaucratic culture, and always focus on market changes so that the company's performance can be further improved. Based on the effect of the open questionnaire, proves that the firm culture is very dignified and always follows market developments with high HR loyalty and synergy to make the cultural climate positive between employees and customers to make the company’s performance increase. The results of this study are;that organizational culture positively affects the company's performance. (Sitio et al., 2015) (Thoyib & Armanu, 2005).
CONCLUSION

The conclusion that can be drawn from this study is the success of the research model which is built on the variables of product quality, hr quality, company culture, business strategy, and company performance. The feasibility of this research model can be seen from the results of research that proves that product quality variables with indicators of conformity with specifications, product privileges, and product aesthetics have a significant effect on business strategy. Hr quality variables with indicators of manager capabilities, manager commitment, and professionalism have a significant effect on business strategy. Corporate culture variables with indicators of market culture, corporate bureaucratic culture, and a culture of focus on change do not affect business strategy. Product quality variables with indicators of conformity with specifications, product peculiarities, and product aesthetics do not affect the performance of the enterprise. Hr quality variables with indicators of manager capabilities, manager commitment, and professionalism do not affect company performance. Variables of corporate culture with indicators of market culture, corporate bureaucratic culture, and culture that focus on change have a significant effect on company performance. Variables Business strategy with indicators of cost advantage, differentiation advantage, and focus strategy have a significant effect on the company's performance. Based on the description of the conclusions above and the results of the sobel test, it can be concluded that the existence of a well-structured business strategy can affect product quality and the quality of human resources to improve company performance.

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