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EFFECT OF INTERNAL AUDIT, SUPPLY CHAIN MANAGEMENT AND KNOWLEDGE MANAGEMENT ON TOTAL QUALITY MANAGEMENT (Case Study of Manufacturing Companies in Bekasi, West Java)

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Abstract

This study aims to determine the effect of Internal Audit, Supply Chain Management (SCM) and Knowledge Management (KM) on Total Quality Management (TQM). This research is a causal study with a quantitative descriptive approach with the object of research in companies - companies that are in the Cikarang and surrounding industrial areas located in Bekasi, West Java. The population in this study were all Senior Managers, Managers, Senior Internal Audit, Internal Audit Staff of the manufacturing company with approximately sixty-six respondents. Research data are primary data obtained directly through research questionnaires distributed to research respondents. The research variable consisted of independent variables consisting of three variables, namely Internal Audit, Supply Chain Management (SCM) and Knowledge Management (KM).

The data analysis used is Structural Equation Model (SEM) with the Partial Least Squares (PLS) approach. The results of this study indicate that *the Internal Audit, Supply Chain* Management, and Knowledge Management variables have a positive effect on Total Quality Management

Keywords: *Internal Audit, Supply Chain Management, Knowledge Management, Total Quality Management*

Backgroud

In this globalization era, the business world is growing, competition in the business world is also getting tighter. The purpose of the company in a competitive economic condition is to obtain maximum profits with the company's growth in the long term and also to maintain the survival of the company itself (Choiriah, 2018). Manufacturing companies are one of the supporters of the economy of a country. Every company has their own goals for the business they do. To achieve this main goal, manufacturing companies should prepare a strategy or always strive to be profitable for the company. One way that can be taken by companies is to fix the human resources they have in order to survive in long-term competition. Every company has its own goals and to achieve these goals must be supported by several factors. One of the factors that must be owned by the company to achieve its goals is to have product innovation and the quality of the goods produced must be good.

Manufacturing companies need to improve product quality by making continuous improvements. The improvement in quality from period to period can increase profitability and customer satisfaction. This requires a directed quality management system that as a whole will improve company performance (Yenni Carolina, 2012). According to Nengzih (2014) the

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application of good corporate governance is a must to build a strong and sustainable company. The application of good corporate governance can be effective. In addition to the above, it is believed that to win the competition, companies need to focus on quality or by applying TQM (Total Quality Management), it has become a demand for companies to produce high quality products to survive in tight business competition. Thus, to achieve high company performance, the company needs continuous commitment and effort in developing quality. TQM that focuses on continuous quality improvement will encourage companies to improve their competitive position and improve products that are free from damage. Improving position in competition can increase sales, market share, and ultimately increase profits. Meanwhile, increasing products that are free from damage can reduce operating costs and ultimately increase profits. Indonesian companies have actually long recognized the importance of product quality. The application of TQM is the right thing to do improve the ability of these elements continuously. Total Quality Management (TQM) is a new paradigm in conducting business that seeks to maximize organizational competitiveness through focusing on consumers, process improvement on product quality, services, people, organizational processes and environments, and total involvement.

Internal audit is a process of examination carried out by the company's internal audit section, on the company's financial statements and accounting records, as well as adherence to predetermined top management policies and adherence to government regulations and the provisions of applicable professional ties (Sukrisno Agoes, 2013: 204) Auditors, may not audit their work. Adequate internal audit according to SNI 19-19011-2005 must have professional expertise and accuracy, determine the scope of the assignment, make assignment planning (audit program), carry out assignments (audits) in accordance with the assignment planning (audit program), communicate the assignment results on time and monitoring follow-up. In most companies, internal auditors have begun to adapt to carrying out quality assurance and Total Quality Management systems adopted by the company.

The existence of Supply Chain Management (SCM) and TQM has become a critical management system to achieve competitive advantage in global markets according to Vanichchinchai and Igel, (2011) & Talib et al., (2011), their contribution can vary with the level of success in implementation (Vanichchinchai and Igel, 2011). The competition encourages managers to devote great attention to Supply Chain Management (SCM). SCM is a strategic key factor to increase company effectiveness and realize better corporate goals. Companies are required to choose supply chain and logistics in their operations. One effort to reduce these costs is through the optimization of material distribution from suppliers, material flow in the production process to the distribution of products to consumers. Optimal distribution, in this case, can be achieved through the application of the concept of Supply Chain Management. Supply Chain Management is actually not a new concept. This concept emphasizes an integrated pattern that involves the process of product flow from suppliers, manufacturers, retailers to consumers (Meliana, 2012). According to Sariyun Naja Anwar (2011), SCM is a concept or mechanism to increase a company's total productivity in the supply chain through optimizing the time, location and flow of material quantities. Manufacturing, in the implementation of supply chain management (SCM), companies are required to be able to meet customer satisfaction,

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develop products on time, spend low costs in the field of product supply and delivery, manage the industry carefully and flexible.

With the rapid progress of economic knowledge, Knowledge Management (KM) has continued to be an independent academic field along with many researchers who have begun investigating Knowledge Management (KM) (Ma and Yu, 2010). Identification of internal knowledge resources helps companies to utilize these resources to generate and maintain profits (Randeree, 2006). From this process, the above-average profit comes from the typical characteristics given by the company to customers (Randeree, 2006). Reconstructing resources is very important to improve a company's ability to create consistent company performance; the more intangible resources, the more difficult it is for competitors to emulate (Randeree, 2006). Knowledge is intangible and difficult to judge. As a result, how to manage knowledge turns out to be an important concern, and Knowledge Management is the solution to success for organizations (Chen et al., 2009). Stewart and Waddell (2008) argue that widening the concept of quality, from product/service specifications to rapid response to customer needs, that is the relationship between KM and TQM. Gaining knowledge and disseminating it provides a quality culture that leads to the application of effective quality management.

Until now, there have been many studies on the influence of Internal Audit, supply chain management and Knowledge Management on total quality management (TQM). From the research, there are many differences between each other. Research conducted by Assadej Vanichchinchai (2012) with the title "Supply chain management, supply performance , and total quality management An organizational characteristic analysis" states that SCM and TQM supply chain management significantly influence TQM. Whereas Honarpour and Jusoh (2014) state that there is a relationship between TQM and KM in a new way. While some researchers consider Knowledge Management as a facilitator of TQM and innovation.

The phenomenon of this research is to look at the influence of Internal Audit, Supply Chain Management and Knowledge Management used in manufacturing companies in Bekasi and the extent of their influence on TQM and the quality of the products they produce. Because there are still many companies that have not been efficient and have done a lot of waste, especially in supply chain management (SCM), which has an effect on the competitiveness of their products as well as national products. The contribution of this research is to examine the relationship between Internal Audit, Supply Chain Management, and Knowledge Management to Total Quality Management.

THEORETICAL STUDY

Contingency Theory

Contingency theory which is part of the theory of organizational environment has brought many implications in management decisions in any organization. Especially in finance, contingency theory has been used in several financial decisions including corporate financial planning decisions as part of the most important considerations, and these actions will, of course, have implications for the company's organizational structure. Consistency theory has been implemented by financial managers in decision making, especially in strategic long-term and long-term financial planning regarding many of the assumptions underlying this decision. In

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practice, financial managers can implement contingency theories using the Planning Scenario. The advantage of contingency theory is that theory has enriched management theory by overcoming the environment as one of the keys to managerial decision making. This theory also helps organizational management in improving the quality of decision making by overcoming contingent variables. The limitation of contingency theory is that contingent factors are still in the debate to date so we cannot determine the exact number of contingent factors.

Total Quality Management (TQM)

Total Quality Management (TQM) is a management system that elevates quality as a business strategy and is oriented to customer satisfaction by involving all members of the organization. The aim is to ensure that customers are satisfied with the goods and services provided, and ensure that no party is harmed. Total Quality Management (TQM) is a company-level approach to quality improvement that seeks to improve quality in all processes and activities. This philosophy has developed into more than just a goal of a well-managed business. TQM has become an entrenched philosophy and a way to conduct business that applies to all functional areas and company employees. (William K Carter, 2015). Because the products and production processes of a company are different from other companies, the approach to TQM is also very different. However, the following characteristics are common to all. The company's goal for all its business activities is to serve customers. Products, to a certain extent, are not only limited to tangible goods. Rather it includes services as well, and customers are not only limited to buyers of company products, but also include people in the company who use or benefit from the output of internal activities. Employees are required to identify their customers, and determine the customer's needs and priorities through a process of interaction with them. Internally, this process is translated by the manufacturer of the product (or service) that the user meets. Externally, this process requires market research and customer feedback

Internal Audit

The internal audit definition according to Sukrisno Agoes (2012: 204) is:

Internal audit (internal audit) is an examination carried out by the company's internal audit section, both on the company's financial statements and accounting records, as well as adherence to predetermined top management policies and adherence to government regulations and the provisions of applicable professions. Government regulations such as regulations in the field of taxation, capital markets, environment, banking, industry, investment, and others. Internal audit is an internal audit or internal audit is an independent assessment function within an organization to test and evaluate the organization's activities carried out. The notion of Internal Audit according to Sawyer (2005: 10) is a systematic and objective assessment of the internal auditors who perform different operations and controls within the organization to determine whether (1) financial and operating information has been accurate and reliable; (2) the risks faced by the company have been identified and. In minimalism; (3) external regulations and acceptable internal policies and procedures have been followed; (4) satisfactory operating criteria have been met; (5) resources have been used efficiently and economically; and (6) organizational goals have been achieved effectively all carried out with the aim of being consulted with management

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and assisting organizational members in carrying out their responsibilities effectively. Whereas according to the Institute of Internal Audit (IIA) as an internal auditor bond in America which was formed in 1941, formulated an internal audit definition, namely: "Internal Auditing is an independent, objective assurance and designed activity to add value and improve an organization's operations. It helps organizations achieve their objectives by bringing a systematic, disciplined approach to evaluating risk management control , and governance processes. Internal audit is an independent activity, objective beliefs, and consultations designed to provide value add and improve the organization's operations. The audit helps the organization achieve its objectives by implementing a systematic and disciplined approach to evaluating and improving the effectiveness of the risk management process, adequacy of controls and governance processes.

There are several objectives of internal audit to help members of the organization to carry out their responsibilities effectively and include the development of effective supervision at reasonable costs. As according to Sukrisno Agoes (2012: 222) the purpose of the examination carried out by internal auditors is to help all company leaders (management) in carrying out responsibilities by providing analysis, assessment, suggestions, and comments regarding the activities examined. To achieve these objectives, internal audits must do the following activities: Review and assess the application of internal control and operational control of the company. Ensure compliance with plans and procedures that have been set by management. accountable and protected from the possibility of any form of fraud, theft, and misuse that could harm the company. Ensure that data management developed in the organization can be trusted. Assessing a job every part in carrying out the tasks given by management. Providing suggestions for operational improvements in the context of efficiency and effectiveness.

Supply Chain Management (SCM)

Supply Chain Management comes from various scientific disciplines, and there are various definitions (Li et al., 2006). The concept of Supply Chain Management comes from purchasing and supply management, as well as transportation and logistics management (Li et al 2006). From a purchasing perspective, Supply Chain Management means integration of supply based on suppliers that evolve from traditional purchases to functional material management. Supply Chain Management (SCM) is one of the key strategic factors for increasing organizational effectiveness and for realizing better organizational goals such as increasing competitiveness, improving customer service and increasing profitability. The main purpose of supply chain management is to meet customer/customer demands more efficiently (Sarode and Sunnapwar, 2010). Companies benefit from SCM, for example increasing profits and increasing operations only when the supply chain is clearly understood and managed well (Elrod et al., 2013). Supply Chain Management is a set of approaches to streamline the integration of suppliers, manufacturing, warehouses, and storage so that goods are produced and distributed in the right amount, the right location, the right time, to minimize costs and provide service satisfaction to consumers. The goal to be achieved from each supply chain is to maximize the overall value produced.

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Ling Li (2007: 8) states that Supply Chain Management is a set of activities and decisions that are interrelated to integrate suppliers, manufacturing, warehouses, transportation services, retailers and consumers efficiently. Thus goods and services can be distributed in the right amount, time and location to minimize costs to meet consumer needs. Roger (2004: 189), Supply chain management/supply chain management is planning the design and control of the flow of information and material along with the chain supply in order to meet customer needs efficiently now and in the future.

Supplier management (supply chain management) definition; as a set of approaches that are used efficiently to integrate suppliers, producers, and warehouses integrated with shops, so that the goods produced can be distributed to the right location, the right time, to minimize the right time, and to reach the system with costs according to the level requirements service (Manahan P. Tampubolon 2014: 220). There are three basic supplier management concepts that are said to be supply chain management (SCM) which are the supervision of materials, information, and finance as movements in a process from suppliers to producers to wholesalers to retailers to consumers (Manahan P. Tampubolon 2014: 220).

Supply chain management is an 'umbrella process' in which products are created and delivered to consumers from a structural angle. A supply chain refers to a complex network of relationships that maintains an organization with its business partners to get a source of production in delivering it to consumers. (Kalakota, 2000: 197). Heizer and Render (2005: 4) Supply chain management includes activities to determine: (1) Transportation to vendors; (2) Transfer of money on credit and cash; (3) Suppliers; (4) Banks and distributors; (5) Debt and accounts receivable; (6) Warehousing and inventory levels; (7) Order fulfillment; (8) Share customer information, predictions, and production.

Chopra and Meindl (2004) propose two supply chain strategies namely lean supply chain (efficient supply chain) and agile supply chain (responsive supply chain). Efficient supply chain focuses on efforts to meet consumer demand at the lowest price by minimizing total costs (low-cost strategy), while supply chain responsiveness emphasizes efforts to respond to consumer demand quickly so as to support inventory in anticipation of uncertain demand and anticipate fluctuations in supplier inventory (innovative strategy). Supply Chain Management (SCM) is one of the best solutions to enhance competitive advantage. The competitive advantage of SCM is how companies are able to manage the flow of goods or products in a supply chain.

SCM provides a structure that allows the process and implementation of the plan to be carried out and provides various systems to carry out the process and implementation of the plan. Supply Chain Management (SCM) is one of the concepts of management of production activities through integration that is formed between suppliers (suppliers), makers (producer-manufacture), distributors (distributors), warehouses (warehouses), and sellers (retail) and consumers, so obtained a pattern of product distribution with the right number, location and time which in turn can minimize costs while continuing to improve service to consumers (Risnandar and Parama Tirta Wulandari WK, 2010).

Knowledge Management (KM*)* There is no definite consensus about the definition of knowledge to date. Quinn, Anderson, & Finkelstein (1996) suggest that knowledge is

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professional intellect. According to Alavi and Leidner (2001), knowledge is a meaning made by the mind; without meaning, knowledge is only inert, static and unorganized information. Nonaka (1991) defines knowledge as justified beliefs, where beliefs are used to justify personal interests. Knowledge Management (KM) addresses changes in what the organization knows collectively and how the organization acts. Whereas De Jarnett (1999), KM is a series of activities used by organizations or companies to identify, create, explain, and distribute knowledge to be reused, known, and learned within the organization. consists of knowledge creation, followed by interpretation of knowledge, dissemination, use, retention and improvement. McAdam and Leonard (2001) suggest that KM is an activity that focuses on the strategies and tactics used in managing human assets. Quintas, Lefrere, & Joues (1997) argue that KM is the process of managing knowledge critically to meet existing needs, identify and utilize existing and acquired knowledge assets, and develop new opportunities.

From the above characteristics, it allows grouping KM initiatives into knowledge creation, knowledge storage, knowledge transfer and knowledge applications. The four elements in this study consist of the main concepts of KM. However, knowledge creation is defined as an increase in the use of existing knowledge and the acquisition of effective new knowledge. The creation of organizational knowledge requires the sharing and dissemination of personal experience. When knowledge is created, the mechanism for storing knowledge becomes important. How knowledge is stored in a database affects the process of knowledge sharing and knowledge transfer. Knowledge transfer is defined as a business process that distributes knowledge among all individuals who participate in process activities (Lin & Lee, 2005).

Previous Research Results

Many previous studies on Total Quality Management (TQM) and Supply Chain Management, according to Assadej Vanichchinch (2012), say that SCM and TQM have become very critical and necessary management systems in achieving competitive advantage in the global market. Whereas Haifa Labdhagati (2017) research says that Supply Chain Management has a positive effect on operating performance, as well as Total Quality Management (TQM) also has a positive effect on operating performance. Likewise, Lindsay C. Hawkes's research, Michael B. Adams, (1995) states that internal auditors must respond positively and support Total Quality Management (TQM) by conducting quality assurance reviews and by increasing the Total Quality Management (TQM) process. Nevertheless, the evidence from this study shows that internal auditors change the focus of their activities in response to the revolution in Total Quality Management (TQM). Meanwhile, according to Honarpour and Jusoh (2017) the synergistic collaboration between TQM and KM This will lead to show that how organizations can maintain competitiveness and improve competitive advantage by implementing TQM and KM. Therefore, by implementing TQM with KM not only organizations that are able to manage their activities efficiently but are also capable of being effective and more innovative.

Effect of Internal Audit on Total Quality Management (TQM)

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According to the Hawks and Adams (1995) states that internal auditors must respond positively and support Total Quality Management (TQM) by conducting quality assurance reviews and by increasing the process of Total Quality Management (TQM). Nevertheless, the evidence from this study shows that internal auditors change the focus of their activities in response to the revolution in Total Quality Management (TQM). Hawks also added that in organizations that have adhered to the TQM principle, traditional ways of control are irrelevant and that internal auditors must try to change their attitudes and actively respond to changes in business needs in a positive way. This is a form of awareness of customer satisfaction needs, as well as a proactive and flexible internal audit management approach. Based on the above research it can be concluded that this hypothesis is:
H1: *Internal Audit has a positive effect on Total Quality Management (TQM)*

Effect of supply chain management on Total Quality Management.

SCM and TQM have become critical management systems to achieve competitive advantage in global markets (Assadej Vanichchinch, 2012). This is supported by research conducted by Lina Anatan (2010) which shows a significant and positive relationship between SCM and TQM. Other research conducted by Andi Maddeppungeng, Rahman Abdullah and Ditta Dwi Kartika (2016) which analyzed the relationship between SCM and TQM also showed positive and significant results. Other research by Haifa Labdhagati and Mahfudz (2017) also shows a positive and significant relationship between SCM and TQM. Whereas according to Vanichchinch, (2012) The influence of SCM and SCM policy in Thai automotive companies focuses on efficient information and material flow at the operational level to minimize transaction costs that lead to effective responses and cost performance. This may be a common practice in developing countries that are still in the early stages of developing SCM. Based on the above research stated that this hypothesis is:
H2: *Supply Chain Management has a positive effect on Total Quality Management*

Effect of Knowledge Management (KM) on Total Quality Management (TQM)

The relationship between TQM and KM is conceptualized in different ways. From one perspective, KM is determined as a liaison for TQM. Stewart and Waddell (2008) argue that widening the concept of quality, from product / service specifications to rapidly response to customer needs, provides a relationship between KM and TQM. By acquiring knowledge and disseminating it provides a quality culture that leads to the application of effective quality management. Barber et al (2006) discuss the role of Knowledge Management (KM) systems in supporting continuous improvement. They show that knowledge management systems continually increase the use of data already available in the company's management database. Hung et al. (2010) empirically examined the relationship between KM and TQM. The results of this study reveal that there is a significant relationship between KM and TQM. In addition, KM contributes to innovation through TQM. In other words KM is the link for TQM and innovation.
H3: *Knowledge Management has a positive effect on Total Quality Management*

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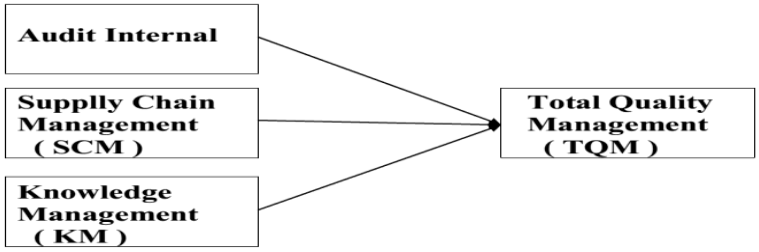

RESEARCH METHODS

Research design

The form of this research is causal. Causal research aims to test hypotheses about the influence of one or several variables (independent variables) on other variables (dependent variable). Namely by analyzing and explaining the effectiveness of independent variables on the dependent variable. This study examines the effect of Internal Audit, Supply Chain Management and Knowledge Management on Total Quality Management. Which independent variables are Internal Audit, supply chain management and Knowledge Management, and the dependent variable are Total quality management (TQM), where the variables have influence on each other.

The population and Samples

Population of this study The target population is the Internal Audit Manager, Quality Control Manager, Managers, supervisors and senior staff in the company. In this study it is known that the population has the opportunity to be chosen as subjects in the sample and the population is homogenous, the sampling design used by sample random sampling. The sample size is calculated using the Slovin method.

RESEARCH DATA

Data collection methods are used by direct observation and the authors collect data using the following methods:

Primary data is obtained through field research, namely data collection techniques by making direct observations (observations) and data collected through a list of questions / statement questionnaires addressed to respondents to obtain facts and factual information from respondents. Secondary data obtained from library research (library research), namely the technique of collecting data using information collected from available sources such as textbooks, journals, related research, and previous research reports related to the discussion.

RESEARCH VARIABLES

Independent variable

Independent variable or independent variable is explanatory. This variable, usually considered a predictor variable or cause because our cause dependent variable (Sekaran, 2006: 117). This research has the following variables: Internal Audit, Supply Chain Management and Knowledge Management. Internal audit is measured by 10 indicator items. This variable is measured by indicators and variables used by (Coram et al., 2008; Marais et al., 2009; Aksoy and Kahyaoglu, 2013). SCM measurements in this study were adopted based on: Li et al (2006), Minand Mentzer

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(2004), Tanetal. (2002), Leeand Kincade (2003), Sahayand Mohan (2003), Chinetal. (2004) and this variable is measured by four dimensions with 12 fruit indicators. While Knowledge Management, Measurement (KM) is adopted from Hung et al (2010) which consists of 4 indicators.

Dependent variable

Dependent variables are variables that are influenced by Independent Variables or independent variables (Sekaran, 2003). In this study using dependent variables, namely: Total Quality Management (TQM) TQM measurement in the adoption of Hoang et al (2006) is measured by how many four dimensions and indicators of 10 indicators

TabLe 1

Operasional Variabel

Variables	Indicator	Scale	Item
Internal Audit (X_1) (Coram et al., 2008;Marais et al., 2009; Aksoy and Kahyaoglu, 2013)	a. Internal audit safeguards the organization assets from misuse. b. Internal audit always checks the authorisation of all expenditures c. Internal audit ensures that the economic transactions in this organisation are supported by adequate documentation d. Internal audit promotes segregation of duties e. Internal audit promotes appropriate ethics within the entity f. Internal audit facilitates the identification of risks g. Internal audit develops risk management strategy for board approval h. Internal audit participates in the preparation of the risk treatment plans i. Internal audit independently evaluates the effectiveness of management j. Internal audit evaluates the systems established to ensure compliance with policies	ordinal	10
Supply Chain Management (X_2) Lietal.(2006), MinandMentz	a. supply chain performance measurement system b. supply chain performance criteria c. partners beyond immediate suppliers and customers d. integration with our trade partners. e. employee (worker) involvement in supply chain	ordinal	7

er(2004),Tane tal.(2002),Lee andKincade (2003),Sahaya ndMohan(200 3),Chinetal.(2 004	management. f. employees (workers) are actively involved in supply chain management g. organization has an open, trusting culture with low bureaucracy for supply chain management		
Knowledge Management (X_3) Hung (2010)	a. Knowledge Creation b. Knowledge Storage c. Knowledge Transfer d. Knowledge Application	ordinal	4
Total Quality Management (Y) (Hung 2010), (Pestana &bGageiro, 2008)	a. Leadership b. Customer focus c. Benchmarking d. Employee Involvement e. Delopment /Training f. Measurement of the result g. Continuous Improvement	Ordinal	7

RESULTS AND DISCUSSION

This chapter discusses the analysis of data and research results and collected samples. The data in this study were analyzed using structural equation modeling (SEM) as a multivariate analysis tool so that it has greater flexibility to connect theory and data. This study uses Smart PLS software as a tool to solve SEM problems. This research was conducted by distributing 80 questionnaires to managers / system managers / supervisors / senior staff who had worked for approximately 5 years from 10 manufacturing companies in Bekasi, West Java. Of the 80 sets of questionnaires sent which were returned as many as 66 questionnaires. Questionnaires that did not return were 14 questionnaires or 17,%. Questionnaires that do not return may be due to the questionnaire not reaching the intended respondent's hand or because of the respondent's busy schedule. The requirement for using Structural Equation Modeling (SEM) PLS is a minimum sample size of 30 and this study has fulfilled these requirements.

Test of Assumptions and Quality of Research Instruments

Validity test Testing

The validity of the data in this study is to use PLS software with Outer Model, namely Convergent Validity by looking at the correlation between the item score or the indicator and the construct score. Indicators are considered valid if they have a correlation value above 0.7. But in the development stage the correlation of 0.5 to 0.6 is still acceptable (Ghozali 2014).

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Discriminant Validity can be seen by the square root of the average variance extracted value of each constructor AVE value where the value of each construct must be greater than 0.5. Test Validity is divided into two, namely Convergent Validity and discriminant validity. \

Validity of Discrimination

Table 1. Test for Validity of Discriminant and Composite Reliability

Measurement Model	**Results**		**Critical Value**	**Evaluasi Model**
	Measurement Model			
Discriminant Validity	**Variabel**	**AVE**		
	Internal Audit (X1)	0,504	>0,5	Valid
	SCM (X2)	0,532		Valid
	Knowledge Management (X3)	0,356		Invalid
	T Q M (Y)	0,345		Invalid
Composite Reliability	**Variabel**	**Composite Reliability**		
	Internal Audit (X1)	0,900	>0,7	Valid
	SCM (X2)	0,953		Valid
	Knowledge Management (X3)	0,903		Valid
	T Q M (Y **)**	0,899		Valid

In assessing the structure of the PLS model can be seen based on the Adjusted R-Square value for each latent variable. Table 2 shows the adjusted R-square value of Measurement of Management Total Quality is 0.556. The higher the Adjusted R-square value, the greater the independent variable can explain the dependent variable so that the structural resistance is better. The Company Performance variable has an Adjusted R-square value of 0.556 which means that 55.6% of the variance in Measurement of Total Quality Management (TQM) is explained by Internal Audit variance, Supply Chain Management (SCM) and Knowledge Management while the remainder is explained by other variables outside variables examined in this study (Ghozali, 2014)

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Table 2. Adjusted R-square

	Adjusted R-square
TQM	**0,556**

(Source: Data processed by researchers, 2019)

Path Coefficient Test Results

Table 3. Inter-Variable Relationships

	Original Sample (O)	**Sampel Mean (M)**	**Standar Deviation (STDEV)**	**t - statistic (O/STDEV)**	**P Value**
Internal Audit (X1) -> T Q M (Y)	0,307	0,295	0,008	3,489	0,001
SCM (X2) -> T Q M (Y)	0,206	0,203	0,080	2,570	0,010
Knowledge Management (X3) -> T Q M (Y)	0,528	0,540	0,108	4,903	0,000

(Source: Data processed by researchers, 2019)

The relationship between variables can be said to be significant if it has a t-statistic value greater than 1.96. The results of estimating relationships between variables can be seen in table 3 above.

Hypothesis 1 states that Internal Audit has a positive and significant relationship to Total Quality Management indicated by the original sample estimate value of 0.307 and T-statistics of 3.489 (greater than t-count, 1.96). *This means that Hypothesis 1 is accepted.*

Hypothesis 2 states the Effect of Supply Chain Management (SCM) has a positive relationship to TQM indicated by the original sample estimate value of 0.206 and T-statistics of 2, 570 (smaller than t-count, 1.96). *This means that Hypothesis 2 is received and accepts H2*

Hypothesis 3 states that Knowledge Management has a significant positive relationship to Company Performance as indicated by the original estimate value of 0, 528 and T-statistic of 4.903 (greater than t-count, 1.96). *This means that Hypothesis 3 is accepted and accepts H3.*

Discussion of Data Analysis Results

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In this section a descriptive discussion will be conducted related to the hypothesis (empirical evidence) for each research variable. The facts or reality encountered at the later observation stage will be compared to the premises described in Chapter II as part of this study a. Effect of Internal Audit on Total Quality Management Effects of Internal Audit (IA), Supply Chain Management (SCM) and Knowledge Management with Total Quality Management (TQM), The results of testing the first and third hypotheses show a positive and significant effect. The results of the first hypothesis testing show that the Internal Audit variable has a significant positive effect on Total Quality Management (TQM) at the 5% level using structural relations in the Hair book (2014: 171). Internal Audit implementation in companies in Bekasi is good. This is supported by the Hawkes and Adam (1995) study which states that changes in the culture and organizational structure created by the TQM system will have an impact on the internal audit function, which not only conducts audits in companies but also monitors the total system support. Quality Management. The challenge for the internal audit profession is to clearly define its role for internal auditors in the structure and new organizational culture produced by the TQM revolution. For this purpose, research is needed to establish how internal auditors react to TQM, and to explore more in the roles that internal auditors must take in the organization

The results of testing the second hypothesis show that the Supply Chain Management (SCM) variable has a significant positive effect on Total Quality Management (TQM) at the 5% level using structural relations in the Hair book (2014: 171). The application of Supply Chain Management in companies in Bekasi looks not good. This is in line with Vanichchinch's (2012) study which states that SCM has become the main management system to support competitive advantage in global markets. In relation to TQM, companies in Bekasi are export-oriented multinational companies, hence efficiency and supply chain management (SCM) very influential on the competitiveness of the company's products. Such conditions are experienced by many companies in Indonesia that do not yet have such neat management in terms of supply chain management (SCM). Efficiency mainly occurs in the supply chain where Indonesian companies rely on large inventory, both for raw materials, spare parts, which can actually be maximized well.

The results of testing the third hypothesis show that the Knowledge Management (KM) variable has a significant positive effect on Total Quality Management (TQM) at the 5% level using structural relations in the Hair book (2014: 171). The application of KM in companies in Bekasi is quite good. This is supported by the research of Hung et la (2010) which states that the Knowledge Management Initiative (KM) has gained high popularity nowadays. In addition, innovation has also received great attention as an important matter to secure a sustainable competitive advantage in the market. Hung et al (2010) also said that KM, TQM performance and innovation performance are interrelated. And stating KM is positively related to TQM and innovation performance and TQM can also be a mediator between KM and innovation performance

CONCLUSIONS

Based on the results of the research that has been obtained it can be concluded that: The Effect of Internal Audit (IA), Supply Chain Management (SCM) and Knowledge Management on the

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Effect of Total Quality Management (TQM). 1. The results of testing the first, second and third hypotheses show a positive and significant effect. The results of the first hypothesis testing show that the Internal Audit variable has a significant positive effect on Total Quality Management (TQM). 2. The results of testing the second hypothesis show that the Supply Chain Management (SCM) variable has a significant effect on Total Quality Management (TQM) using structural relations in the Hair book (2014: 171). The application of Supply Chain Management in companies in Bekasi looks very good. 3. The results of testing the third hypothesis show that the Knowledge Management (KM) variable has a significant positive effect on Total Quality Management (TQM). The application of KM in companies in Bekasi is quite good. The Knowledge Management (KM) initiative has gained high popularity nowadays. In addition, innovation has also received great attention as an important matter to secure a sustainable competitive advantage in the market. In several studies also stated that KM, TQM performance and innovation performance are interrelated.

SUGGESTION

Based on the above conclusions, the authors suggest that for companies in Cikarang to be the research sample, it has been good to implement Internal Audit, Supply Chain Management and Knowledge Management: 1. It is hoped that it will further intensify the competitive advantage of TQM in the era of globalization so that it will not be eroded by this era of globalization. 2. For further research, it should add variables that influence TQM more, such as Lean Manufacturing, Kaizen, Technology Development and other variables that can affect TQM. 3. For further research in order to pay attention to the indicators so that they present the variables to be tested.

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