

# Determinants of MSME Competitiveness: A Quantitative SEM-PLS Analysis of Total Quality Management

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## ABSTRACT

*This research addresses low competitiveness in the halal culinary creative industry caused by weak quality management implementation and a lack of business innovation, making improved product quality and managerial efficiency urgent for survival amid global competition. The purpose is to develop a contextual total quality management model based on local conditions to enhance enterprise competitiveness in the creative industry. The method employed a quantitative approach using Structural Equation Modeling – Partial Least Squares, with 100 halal culinary business owners selected purposively. The questionnaire was based on seven Malcolm Baldrige National Quality Award criteria: leadership, strategic planning, customer focus, human resource focus, process management, business results, and competitiveness. Data was collected through surveys and interviews, and analyzed using SmartPLS 4.0. Findings reveal that customer focus, business results, and process management significantly influence competitiveness with probability values below 0.05, indicating that enhanced customer orientation, business effectiveness, and process management strengthen competitiveness. The conclusion is that this research produces a contextual total quality management model, enriching quality management literature based on the Indonesian local context. Practically, this model provides actionable guidance for business owners to prioritize customer orientation, optimize operational processes, and measure performance systematically to improve their competitive position in the market.*

**Keywords:** Business Innovation, Competitiveness, Creative Industry, Halal Culinary, Process Management, Total Quality Management.

## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) constitute the backbone of the Indonesian economy as they contribute significantly to job creation, community welfare improvement, and national economic growth (Adam et al., 2025; Mulyati & Murwadj, 2025; Zainuri et al., 2025). In Medan City, the number of MSMEs reaches more than 38,000 business units and absorbs more than 1.2 million workers. The halal culinary sector has become a strategic subsector because it combines the potential of the creative economy, Islamic values, and local cultural uniqueness. Nevertheless, many halal culinary MSMEs in Medan still face various structural, managerial, and production quality constraints that hinder competitiveness improvement (Putri et al., 2023; Hariani, 2024; Apriyanti et al., 2025; Syairozi & Azizah, 2025).

The main challenges faced by MSMEs include inconsistent product quality, low innovation, and weak implementation of integrated quality management systems. Many business owners still depend on personal experience without prioritizing quality, customer management, or strategic planning, which reduces competitiveness compared to large

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firms with established quality standards (Vo-Thai & Tran, 2025). Shifts in consumer preferences, digital technology advancement, and increasing halal awareness further require MSMEs to adopt more structured and adaptive business management approaches.

Total Quality Management (TQM) is therefore a relevant strategy, as it emphasizes continuous quality improvement through the involvement of all organizational elements (Testa et al., 2024). In the MSME context, TQM supports operational efficiency, customer satisfaction, and the development of a quality-oriented culture that underpins long-term competitiveness (Yhovizmiaji & Sulistiyowati, 2018). However, its implementation among MSMEs in Medan remains limited due to human resource constraints, low managerial literacy, and insufficient adaptation to local conditions. Moreover, empirical studies linking contextual quality management to MSME competitiveness, particularly in the halal culinary sector in Western Indonesia, are still scarce, as most prior research has focused on large-scale manufacturing or service industries (Antunes et al., 2021; Zefaj, 2025). This gap underscores the need for an approach that integrates quality management principles with local values and community-based business realities (Lapoint, 2022; Azis & Karim, 2025).

Business actors in Medan face challenges in halal standardization and certification. Although halal awareness is high, most MSMEs lack official certification, indicating a gap between awareness and formal quality management. Rapid digital and e-commerce growth further pressures MSMEs to integrate quality management with process and service digitalization to remain competitive (Lindiani et al., 2024). This study integrates the Resource-Based View (RBV) and the Malcolm Baldrige National Quality Award (MBNQA) as its framework. RBV emphasizes internal resources as sources of competitive advantage, while MBNQA provides structured quality management criteria. This integration allows the model to be adapted to the specific context of halal culinary MSMEs in Medan, incorporating religious values, local culture, and community-based characteristics (Wilson & Collier, 2000; Lapoint, 2022).

The novelty lies in developing an innovative contextual quality management model explicitly adapted to Medan City's socio-economic and local cultural conditions. This model incorporates halal values, local wisdom, and community-based business practices as integral parts of the quality management system, differing from previous normative studies focusing on international quality standards without considering the local context. This research aims to develop a contextual TQM model to improve halal culinary MSME competitiveness in Medan and identify key factors influencing TQM implementation in the local context.

To achieve these objectives, this study addresses three key research questions: examining the dimensions of contextual TQM suitable for halal culinary MSMEs in Medan, the influence of TQM principles integrated with halal values and local wisdom on MSME competitiveness, and the main barriers and enablers in implementing contextual TQM. Practically, this research provides a reference for developing quality-oriented MSME policies at the regional level. Local governments, financial institutions, and universities can use the contextual quality management model to guide development programs, certification, and halal entrepreneurship training, enabling MSME actors to enhance quality, innovation, and competitiveness sustainably through structured and sharia-based quality practices, thereby contributing to inclusive regional and national economic growth.

## **LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT**

### **The Effect of Leadership and Strategic Planning on Competitiveness**

Total Quality Management (TQM) is a managerial approach focusing on continuous quality improvement by involving all organizational components, emphasizing processes, employee participation, and customer satisfaction as keys to competitive advantage (Gaspersz, 2007). The Malcolm Baldrige National Quality Award (MBNQA) framework provides seven dimensions: leadership, strategic planning, customer focus, knowledge management, human resource development, process management, and business results

(Wilson & Collier, 2000; Lapoint, 2022). In the MSMEs context, TQM builds efficient quality control systems and increases customer trust, while in the halal culinary industry, it ensures conformity between quality standards and halal values, enhancing competitiveness.

Leadership plays a crucial role in driving micro, small, and medium enterprises' competitiveness through strategic direction and organizational culture. Transformational leadership in SMEs has emerged as a pivotal factor in driving innovation, enhancing employee engagement, and achieving business success (Chawla et al., 2023). Effective leadership establishes a quality culture and aligns organizational vision with operational execution, creating a foundation for sustainable competitive advantage. Strategic planning serves as a critical determinant for MSMEs' competitiveness by aligning resources with market opportunities. MSMEs that adopt formal strategic planning exhibit superior performance, with firms engaging in systematic strategic planning reporting superior financial results, customer satisfaction, and organizational growth (Nuryakin & Musa, 2024; Rany et al., 2024). Strategic planning enables MSMEs to navigate market uncertainties and allocate limited resources effectively.

H1: Leadership has a significant effect on competitiveness.

H2: Strategic planning has a significant effect on competitiveness.

### **The Effect of Human Resource Focus on Competitiveness**

Resource-Based View (RBV) theory explains that sustainable competitive advantage is obtained through managing internal resources that are Valuable, Rare, Inimitable, and Well-Organized (VRIO) (Lockett et al., 2009; Lubis, 2022). For halal culinary MSMEs in Medan, advantages derive not only from physical products but also from local values, halal integrity, and social relationships. "Value" reflects distinctive taste and halal integrity, "rarity" exists in hereditary recipes and ethnic traditions, while "inimitability" emerges from social trust and community-based practices. However, organizational weakness from the absence of formal quality management systems often becomes a barrier. This research integrates RBV with TQM through the MBNQA framework to transform internal resource potential into structured competitive advantages. This integration confirms that strengthening internal capacity through systematic quality management is a strategic path to enhance MSMEs' competitiveness sustainably by ensuring valuable local resources are systematically managed to build long-term competitive advantage.

Customer focus directly influences MSMEs' competitiveness through enhanced satisfaction and market responsiveness. Strong customer focus drives innovation and improved business outcomes, with comprehending and satisfying client needs contributing positively to business performance (Hutahayan, 2021). Customer-centric approaches enable MSMEs to differentiate themselves and build loyal customer bases. Human resource focus significantly affects MSME competitiveness by developing organizational capabilities and innovation capacity. Studies find significant relationships between innovations in human resource practices, innovation capabilities, competitive advantage, and MSME performance, with HR practice innovations indirectly affecting performance through the mediation of innovation capabilities (Donate et al., 2016). Effective HRM practices enhance employee engagement and organizational learning.

H3: Customer focus has a significant effect on competitiveness.

H4: Human resource focus has a significant effect on competitiveness.

### **The Effect of Process Management and Business Results on Competitiveness**

The concept of competitiveness, according to Porter (1985), includes two main strategies: cost leadership and differentiation. In MSMEs practice, this strategy is adapted through production process efficiency and product innovation that has unique value for consumers (Yhovizmiaji & Sulistiyowati, 2018). Competitiveness is not only measured

by competitive prices but also by the business's ability to retain customers, improve quality, and adapt to market changes. Meanwhile, dynamic capabilities theory by Teece et al. (1997) complements Porter's (1985) approach by emphasizing organizational capability to respond to changes through three aspects: sensing (detecting opportunities), seizing (capturing opportunities), and reconfiguring (reconfiguring resources). In the context of halal culinary MSMEs in Medan, competitiveness emerges when business actors can combine product innovation based on local taste with consistent quality management system implementation. Therefore, MSME competitiveness improvement does not only depend on external factors such as capital and market but also on internal capability to create value, strengthen innovative processes, and build a reputation based on halal and sustainable quality.

Process management enhances MSME competitiveness through operational efficiency and quality improvement. Digital business process integration facilitates operational efficiency by enabling rapid responsiveness to market demands (Bag et al., 2021). MSMEs face challenges in optimizing business processes, with automation and technology improving operational efficiency and sustainability. Efficient process management reduces waste and enhances productivity. Business results reflect overall organizational performance and competitiveness outcomes in MSMEs. MSMEs' performance is influenced by internal and external factors such as innovation, leadership, financial stability, supply chain management, and government support (Chege et al., 2020). Business results encompass financial and non-financial outcomes that demonstrate competitive success.

H5: Process management has a significant effect on competitiveness.

H6: Business results have a significant effect on competitiveness.

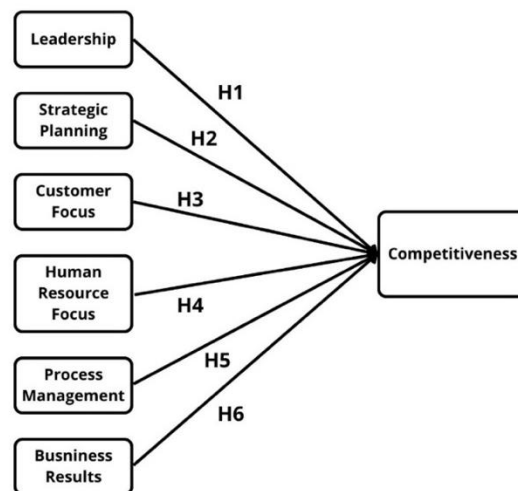


Figure 1. Conceptual Framework

Figure 1 illustrates the conceptual framework in which six key constructs, leadership, strategic planning, customer focus, human resource focus, process management, and business results, are hypothesized to influence competitiveness. Each construct is linked to competitiveness through hypotheses H1 to H6, indicating that improvements in organizational leadership, planning, customer orientation, human resource management, process efficiency, and performance outcomes are expected to enhance overall competitive advantage.

## RESEARCH METHODS

This research uses a quantitative approach aimed at measuring the influence of variables in the Total Quality Management (TQM) model on the competitiveness of halal culinary MSMEs in Medan City. The quantitative approach was chosen because it can

provide objective, measurable, and statistically testable results (Hair et al., 2017). The research population includes all halal culinary business actors in Medan City, both micro, small, and medium-scale. Based on data from the Department of Cooperatives and MSMEs, there are 168 business units that meet the population criteria. Sample determination was conducted using a purposive sampling technique with the criteria of business actors who have been operating for at least two years and are active in production and sales. Based on the Slovin formula calculation with an error rate of 6.36%, a sample size of 100 respondents was obtained, which is considered representative of the population.

The research instrument was a closed questionnaire based on a Likert scale (1-5) compiled based on seven TQM dimensions according to the Malcolm Baldrige National Quality Award (MBNQA) framework, including leadership, strategic planning, customer focus, human resource focus, process management, business results, and competitiveness (Wilson & Collier, 2000; Lapoint, 2022). Each variable is measured through indicators that have been validated from previous research. Primary data were collected through direct surveys of respondents, while secondary data were obtained from academic literature, government agency reports, and related scientific journals.

Data analysis was conducted using the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method with the assistance of SmartPLS 4.0 software to test validity, reliability, and causal relationships between variables. Model evaluation includes outer model (convergent validity, composite reliability, and discriminant validity) and inner model (coefficient of determination, t-test, and path significance).

## RESULTS

The results of this study begin by presenting a descriptive overview of the respondents involved. This initial profile provides a general understanding of the business actors participating in the halal culinary MSMEs sector and serves as the foundation for interpreting subsequent analyses. The descriptive findings highlight variations in demographic, operational, and managerial characteristics among respondents, illustrating the diverse conditions under which these halal culinary businesses operate. These insights help frame the interpretation of the statistical results and the relationships examined in this research.

**Table 1.** Respondent Characteristic

Category	Sub-Category	Percentage (%)
Gender	Male	79%
	Female	21%
Business Duration	2-5 years	44%
	6-10 years	34%
	>10 years	22%
Number of Employees	1-2 employees	27%
	3-5 employees	43%
	>5 employees	30%
Marketing Method	Online + Offline	60%
	Offline (Traditional)	24%
	Online Only	16%
Halal Status	Halal (Not Yet Certified)	63%
	Halal Certified	24%
	Not Stated	13%

Based on Table 1, this research involved 100 halal culinary MSMEs actors in Medan City as respondents selected through a purposive sampling technique. Respondent characteristics show that the majority of business actors are male (79%) and the rest female (21%). In terms of business duration, 44% of respondents have been operating for 2-5 years, 34% for 6-10 years, and 22% for more than 10 years. Meanwhile, 43% of respondents have 3-5 employees and 27% have 1-2 employees, depicting the dominance of small businesses in the halal culinary sector. Most business actors (60%) have utilized

a combination of online and offline marketing, while 24% still rely on traditional methods. From the halal perspective, 63% claim their products are halal but not yet certified, 24% have halal certificates, and 13% have not stated their product's halal status. These characteristics indicate that most halal culinary MSMEs in Medan are still in the early growth stage, with high quality awareness but not yet fully structured managerially.

Convergent validity is a measurement model using reflective indices evaluated based on correlations between item scores/component scores estimated by SmartPLS software. According to Ghozali (2008), in early development studies, measurement scales with loading values of 0.5 to 0.6 are considered sufficient, and PLS analysis is performed from the outer model that measures validation on loading factor values. PLS analysis performed starts with the outer model that measures validity testing with loading factors. For indicators from each variable that are less than 0.6, their loading factor values will be dropped from the model.

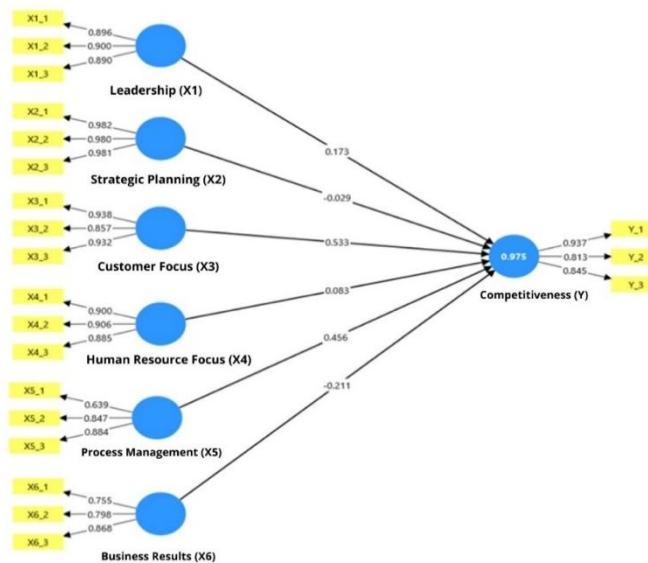


Figure 2. Structural Models

Figure 2 presents the Structural Equation Modeling–Partial Least Squares (SEM-PLS) diagram, which includes both the measurement model (outer model) and the structural model (inner model). The measurement model shows each latent variable, leadership (X1), strategic planning (X2), customer focus (X3), human resource focus (X4), process management (X5), and business results (X6), along with their respective indicators and loading values. Meanwhile, the structural model illustrates the direct effects of these six TQM dimensions on competitiveness (Y), indicated by the path coefficients shown on the connecting lines.

Based on the outer loading test results in Table 2, all indicators have values above 0.70, indicating that each statement item has good convergent validity in representing its respective construct. The leadership variable (X1) has outer loading values between 0.890-0.900, indicating high consistency among indicators in measuring business owner leadership. The strategic planning variable (X2) shows the highest values, namely 0.980-0.982, which means its indicators are very strong in explaining that variable. Meanwhile, customer focus (X3) and HR focus (X4) also show high values, ranging between 0.857-0.938 and 0.885-0.906, indicating that both constructs have very good validity. The process management variable (X5) has one indicator with a value below the ideal threshold (0.639), but the other two indicators are above 0.84, so overall it is still acceptable because the average loading value is above 0.70. The business results variable (X6) is in the range of 0.755-0.868, showing fairly good validity, while the competitiveness variable (Y) has values between 0.813-0.937, indicating very strong measurement consistency. Thus, all constructs in this research model can be declared valid and feasible

for structural (inner model) analysis because they meet the convergent validity test criteria according to Hair et al. (2019).

**Table 2.** Outer Loading

Variable	Item	Outer Loadings
Leadership	X1 1	0.896
	X1 2	0.900
	X1 3	0.890
Strategic Planning	X2 1	0.982
	X2 2	0.980
	X2 3	0.981
Customer Focus	X3 1	0.938
	X3 2	0.857
	X3 3	0.932
Human Resource Focus	X4 1	0.900
	X4 2	0.906
	X4 3	0.885
Process Management	X5 1	0.639
	X5 2	0.847
	X5 3	0.884
Business Results	X6 1	0.755
	X6 2	0.798
	X6 3	0.868
Competitiveness	Y 1	0.937
	Y 2	0.813
	Y 3	0.845

To measure discriminant validity is to look at the square root of the Average Variance Extracted (AVE) value. The recommended value is greater than 0.5 for a good model. The next test is composite reliability from the indicator block that measures the construct. A construct is declared reliable if the composite reliability value is above 0.60. It can also be seen by looking at the construct or latent variable reliability, measured by looking at Cronbach's alpha value > 0.6. The following section describes the construction results for each variable, namely convenience, product quality, price, promotion, and purchasing decision for each variable and index.

**Table 3.** Construct Validity and Reliability Test

Variable	CA	Rho_A	Rho_C	AVE
Leadership (X1)	0.876	0.878	0.924	0.802
Strategic Planning (X2)	0.981	0.981	0.987	0.963
Customer Focus (X3)	0.895	0.898	0.935	0.828
Human Resource Focus (X4)	0.878	0.882	0.925	0.804
Process Management (X5)	0.714	0.768	0.837	0.636
Business Results (X6)	0.756	0.856	0.849	0.653
Competitiveness (Y)	0.832	0.840	0.900	0.751

Based on the construct validity and reliability test results in Table 3, all constructs in the research model meet good validity and reliability criteria. The Cronbach's Alpha values for all variables are above 0.70, showing strong internal consistency, as stated by Hair et al. (2017), who state that values > 0.70 indicate adequate reliability. Composite Reliability (rho\_c) values are also above 0.80, with some even reaching more than 0.90, indicating that the indicators in each construct have a very good level of consistency and are feasible for structural model testing. In addition, the AVE values for all constructs are above 0.50, which means the model has met the convergent validity criteria, where more than 50% of indicator variance can be explained by latent constructs (Hair et al., 2019). The strategic planning construct (X2) has the highest value (AVE = 0.963), followed by customer focus (X3) and HR focus (X4), which also show very high validity. Thus, these results confirm that all research variables have strong measurement reliability and

accuracy and can be used to test inter-variable relationships in the Structural Equation Modeling-Partial Least Squares (SEM-PLS) model validly and reliably.

Table 4. R Square Test

Test	Value
R-Square	0.975
R-Square Adjusted	0.973

Based on Table 4 the results displayed, an R-square value of 0.975 means that 97.5% of variation or changes in the competitiveness variable (Y) can be explained by the independent variables in the model, namely leadership (X1), strategic planning (X2), customer focus (X3), HR focus (X4), process management (X5), and business results (X6). Meanwhile, the remaining 2.5% is explained by other factors outside this research model.

Table 5. Hypothesis Test

Path	Original Sample	Sample Mean	Std Deviation (STDEV)	T-statistics ( O/STDEV )	p-values
Leadership → Competitiveness	0.173	0.157	0.181	0.956	0.339
Strategic Planning → Competitiveness	-0.029	-0.040	0.138	0.208	0.836
Customer Focus → Competitiveness	0.533	0.547	0.128	4.173	0.000
Human Resource Focus → Competitiveness	0.083	0.108	0.162	0.512	0.609
Process Management → Competitiveness	0.456	0.439	0.075	6.091	0.000
Business Results → Competitiveness	-0.211	-0.204	0.058	3.635	0.000

Hypothesis testing is carried out using t-statistics and p-values, where a hypothesis is considered supported when the t-statistic exceeds 1.96, and the p-value is below 0.05. Based on the significance test results in Table 5, it can be concluded that there are three variables that significantly influence competitiveness (Y), namely customer focus (X3), business results (X6), and process management (X5), while HR focus (X4), leadership (X1), and strategic planning (X2) variables do not show significant influence. The customer focus variable (X3) has a t-statistic value of 4.173 with a p-value of 0.000, showing a positive and significant influence on competitiveness, which means the higher the customer orientation, the stronger the MSMEs' competitiveness. This is in line with the findings of Parasuraman et al. (1988) that customer satisfaction is the main determinant of long-term competitive advantage. Furthermore, process management (X5) also has a significant positive effect ( $\beta = 0.456$ ;  $t = 6.091$ ;  $p = 0.000$ ), indicating that production process efficiency and consistency increase product reliability and business reputation. Meanwhile, business results (X6) have a significant negative effect on competitiveness ( $\beta = -0.211$ ;  $t = 3.635$ ;  $p = 0.000$ ), which can be interpreted that increased financial results are not always followed by increased competitive advantage because some MSMEs still focus on short-term profits rather than long-term quality strategies. As for the leadership, HR focus, and strategic planning variables showing p-value > 0.05, their influence is not significant, possibly due to limited business scale and minimal formal managerial systems. According to Hair et al. (2017) guidelines, significant influence is measured by a t-statistic > 1.96 and a p-value < 0.05, so these results confirm that customer orientation and process management are the main factors forming the competitiveness of halal culinary MSMEs in Medan City.

## DISCUSSION

This study examines the effect of six Total Quality Management (TQM) dimensions on the competitiveness of creative industry MSMEs in Medan using SEM-PLS. The

findings indicate that only customer focus and process management significantly enhance competitiveness, while business results show a significant negative effect. Leadership, strategic planning, and HR focus do not have significant direct impacts. Leadership shows a positive but insignificant effect, suggesting that MSME leadership in Medan remains operational rather than strategic, limiting its direct contribution to competitiveness. This result aligns with Razzak et al. (2025) and Tian et al. (2025), who emphasize the importance of agile and digital leadership in strengthening innovation and competitive advantage. Transformational leadership is also considered more effective in fostering motivation and innovation (Harsono et al., 2025; Le & Gia, 2025). Although not significant, leadership still has the potential to influence competitiveness indirectly through innovation, knowledge management, or process efficiency (Zhang et al., 2025).

Strategic planning is also insignificant in influencing competitiveness ( $\beta = -0.029$ ;  $p = 0.836$ ), showing that Medan MSMEs have not yet implemented effective, market-adaptive strategies. Their planning remains short-term and poorly aligned with market dynamics. This finding aligns with studies showing that strategic planning becomes effective only when integrated with innovation and knowledge management and often influences competitiveness indirectly through innovation performance (Allur et al., 2025; Marvi et al., 2025). Therefore, MSMEs' strategic planning must be supported by flexibility, creativity, and continuous evaluation (Azis & Karim, 2025; Setiawan et al., 2025).

Unlike the previous two variables, customer focus has a positive and significant effect on competitiveness ( $\beta = 0.533$ ;  $p < 0.001$ ). This proves that customer orientation is a key factor in building competitive advantage. Customer orientation increases innovation, satisfaction, and consumer loyalty (Almeida, 2024; Lin et al., 2025). Research by Keni and Sandra (2021) Also confirms that customer loyalty is a main factor in MSMEs success. In the contextual TQM context, customer focus becomes a core driver that determines quality strategy success. Therefore, MSMEs actors must place customer needs and feedback as the center of product and service development, including through co-creation strategies to improve market relevance.

Human resource focus shows an insignificant effect on competitiveness, indicating that HR development in MSMEs remains limited. Constraints such as minimal training, low digital literacy, and weak learning systems continue to hinder HR effectiveness (Ndibalema, 2025; Vaszkun & Mihalkovné, 2025). Nevertheless, HR remains an important enabler of innovation and adaptability. Studies by Firdaus and Kuswinarno (2024) and Armadani and Ali (2025) show that HR becomes significant when aligned with innovation and product quality. Therefore, strengthening HR capacity should prioritize technology-based training, organizational learning, and performance-oriented incentives.

Process management has a significant positive effect on competitiveness, indicating that effective operations and quality control are crucial for MSMEs' competitive advantage. This finding aligns with Awwad et al. (2025) and Khairy et al. (2025), who emphasize that efficient process management directly supports sustainable competitiveness. In the creative industry, continuous improvement, process automation, and work standardization are essential. Rahmi et al. (2025) also highlight that process innovation is vital for maintaining competitiveness in dynamic markets. Thus, process management serves as a core driver in the contextual TQM model.

The business results variable shows a significant negative effect on competitiveness ( $\beta = -0.211$ ;  $p < 0.001$ ), indicating that an excessive focus on financial outcomes or short-term profits may undermine long-term competitiveness. Prior studies similarly note that financially driven strategies must be complemented by innovation and quality enhancement to improve market performance (Adiguzel et al., 2025; Safdari & Fatemi, 2025; Tetteh et al., 2025). Within the Balanced Scorecard perspective, business results are merely outcomes shaped by process efficiency, customer satisfaction, and organizational learning. Therefore, MSMEs must balance profit orientation with sustainable quality and innovation efforts to maintain a competitive advantage.

These research results confirm that creative industry MSMEs' competitiveness in Medan is determined by the ability to focus on customers and process management efficiency, not merely by leadership, strategic planning, or financial results. This shows the need for strengthening innovative contextual TQM that emphasizes customer-centric process management and integration of halal values and local culture to drive competitiveness so business actors can maximize their strengths to compete both nationally and internationally.

## CONCLUSION

This research confirms that the implementation of contextual TQM plays a strategic role in enhancing the competitiveness of halal culinary MSMEs in Medan City. A customer-oriented total quality management approach and process management have proven to be the primary foundations for creating competitive advantage. This demonstrates that the effectiveness of business processes and closeness to consumer needs are far more determinant than formal leadership or short-term financial results. Therefore, the success of MSMEs is measured not only by efficiency or profitability, but also by their ability to maintain consumer trust through the implementation of halal values, business ethics, and local work culture integrated into quality management practices. The contextual total quality management model developed in this research provides a theoretical contribution through the integration of the MBNQA framework and RBV theory, resulting in a quality management approach that is more adaptive to the socio-economic characteristics of MSMEs actors in Indonesia. These findings provide direction for business actors and policymakers to prioritize the development of quality systems grounded in local values and sustainability principles as a strategy to increase competitiveness in the global halal market.

However, this study is limited by the scope of the variables used, which focused on specific total quality management dimensions and did not consider external factors such as digital innovation, partnership networks, or government policy support, which also have the potential to influence MSMEs competitiveness. Therefore, further research is recommended to develop the model by incorporating variables such as technological innovation, customer engagement, and business environment factors. Furthermore, the use of qualitative or mixed methods can provide a deeper understanding of the dynamics of total quality management implementation based on halal values in the context of MSMEs in Indonesia.

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