CHAPTER -1
THEORETICAL BACKGROUND

1.1 INTRODUCTION

Quality management and Quality improvement are imperative for the success of service sector in the present competitive environment. Further in service industries, it is not enough if the product meets the functional requirements of the customer, but the employee behavior must also meet customer’s expectations and must be of a high standard. Services sector is contributing more than 60% to the GDP of all developed countries. In India the contribution of services sector to the total GDP is more than 50% [1]. Banking sector is a major segment of the services sector which is playing a leading role in the economic growth of a country.

But, in recent years banking institutions are facing challenges like intense competition on account of globalization, advances in technology, managing customer relationship, observance to world prudential norms and changes in government regulations [2]. Banks carry on business with public money and therefore customers expect better service from them. Quality of bank Services are more variable and whatever may be the degree of involvement of equipment, the involvement of human


element is equally significant in designing and delivering the quality banking services to the customers. There is greater need to develop the skills and talents of people element in the services delivery process. All persons from security to the manager level should have skills and knowledge [3].

In many countries several quality initiatives are introduced in financial services sector to improve business performance including TQM, customer care, corporate culture, change programs, service quality, and Business Process Reengineering (BPR). Each of these quality control initiatives contributed to the efficiency and quality of organizational processes. TQM is of late receiving considerable attention not only in manufacturing sector but also in the services sector in which banking is an important segment. Like their counter parts world over, Indian organizations facing severe competition in every field including the banking sector [4].

Banks play a very important role in the economy of a country. Customer is now a watchword in the banking scene. Today’s business is more volatile and banking is not an exception to this volatility. To survive and prosper in this volatile competitive environment banks have to improve the quality of services they provide to their customers [5].

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There is a grave need for new ideas, approaches and techniques for attaining competitive edge. TQM is one such technique which helps in having quality human power in banking Sector. Total Quality is a description of culture, attitude and organization of a company that aims to provide, and continue to provide its customers with products and services that satisfy their needs.

The culture requires quality in all aspects of the company’s operations, with things being done right first time and defects and waste eradicated from operations. Quality has been treated as a major competitive weapon by both the manufacturing industries and service providers to gain market share, improve productivity and profitability and sustain in business from long term perspective. Therefore organizations throughout the world dealing with products and services are contemplating to implement TQM principles for enhancing system effectiveness. In the present emerging global economy, the focus has been shifted from manufacturing to service sector necessitating the quality assessment in service sector, which as an important issue.

1.2 ORIGIN OF TQM

Total quality is not a revolutionary movement but is an evolutionary one. TQM was developed in the mid 1940s by Dr Edward Deming who convinced the Japanese to adopt this philosophy which is based on the conception that every aspect of the organization can be improved. Progress and success of the TQM implementation depends on the extra mile walked by the organizations over and above competitors in providing customer satisfaction, employee satisfaction as well as colleague cum peer satisfaction. Everyone in the organization from the CEO to the lowest paid casual laborers and the clerks are involved in the TQM process. TQM has
been proved to be an effective tool for improving organizational functioning; the importance can only be assured through a comprehensive and well planned implementation process. TQM is a form of management philosophy which stresses continuous quality improvement processes in institutional operations representing a paradigm shift in management. TQM has grown from strength to strength in this century. We find significant development in a span of every twenty years ever since 1900, Statistical quality control 1960, TQC 1980, TQM in 1990, and BPR 1993.

Total Quality Management (TQM) has captured the worldwide attention and is being adopted in many organizations, both profit and non-profit organizations. Many organizations around the globe are conducting Organizational Development (OD) program to enhance quality awareness and change the attitudes of the employees. These efforts towards understanding, adopting and promoting TQM are imperative because of changes taken place in the global economy, changing market conditions and raising levels of customer’s expectations and increasing competitive pressures. Many large organizations have recognized the important contributions that TQM can make in dealing with these challenges.

1.3 DEFINITIONS OF QUALITY

Quality has now become a key competitive weapon to serve and attract customers. Generally quality studies in an organization context aims at improving quality, reducing cost, capturing the market and staying the business.

Quality is an integral element in our lives today and was in existence since 1911 itself. The central idea of any quality philosophy is doing the right things, right the very first time, many quality philosophies like TQM, Just-in-time, supply chain
management, service quality and more have been integrated into management processes. Quality is subjected to variety of uses and meanings.

According to Joseph M. Juran speaks of quality as “fit for use” [6].

According to Edward Deming “Quality should be aimed at the needs of the customers present and future” [7].

According to Crosby P.B “Quality is conformance to requirements” [8].

According to Samuel Quality defines as the “totality of features and characteristics of product or service that bears on its ability to satisfy or imply customer’s needs” [9].

According to Armand V. Feigenbaum “Quality means best for certain customer conditions, these conditions are: the actual use and the selling price of a product” [10].

According to Dr. Kaoru Ishikawa “Quality meets or exceeds present customer requirements and specifications while anticipating future needs through the continuous improvement of the processes, products and services” [11].

Based on the definitions above, it can be concluded that quality is focused on the customer. Customer focused quality is driven by customer satisfaction and has become the principle definition of quality from a managerial perspective.

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1.4 SERVICE QUALITY

Service quality is defined as how well the service meets or exceeds the customers’ expectations on a consistent basis. Service can be evaluated according to cost, flexibility, acquirability, totality and response time.

Some dimensions of service quality are: Service quality is more directly related to time, and the interaction between employees and the customer. Parasuraman, Zeithmal and Berry have developed a research instrument called SERVQUAL to measure customer satisfaction with different aspects of service quality. They are (1) Reliability (2) Responsiveness (3) Assurance (4) Empathy and (5) Tangibles [12].

1. **Reliability**: Is providing service as promised dependably and accurately.

2. **Responsiveness**: How the employees are willing to help the customers in service delivery process.

3. **Assurance**: Employees knowledge regarding the service and courtesy they extend and how they can build trust and inspire the customer.

4. **Empathy**: Caring and attending to even individual customer.

5. **Tangible**: How physical facilities appear, equipment used, personal attending and other written materials.

6. **Time and timeliness**: How long a customer must wait for service, and if it is completed on time?

7. **Completeness**: Is everything the customer asked for provided?

8. **Accessibility and convenience**: How easy it is to obtain the service?

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9. **Accuracy**: Is the service performed right every time? Is your bank or credit card statement correct every month?

**1.5 MEANING OF TQM**

In today’s globalized economy competition is becoming more intense. Many organizations are trying hard not only to satisfy their customer’s needs but where possible to exceed them. This can be achieved only through cost reduction, improvement in product performance, increased customer satisfaction and constant efforts towards world class Organizations. For organizations to survive and grow in future, it is essential that they deliver high quality goods and services. Those who can deliver quality are the ones who will prosper in the next century. Recognition of quality management as an important factor holds the key to competitiveness in the global market irrespective of the size of the organization. Total quality management is an enhancement to the traditional way of doing business. It is a proven technique to guarantee survival in world class competition. Total Quality Management is the term used to describe a comprehensive view of quality assurance.

TQM is an integrative management concept for continuously improving the quality of goods and services delivered through the participation of all levels and functions of the organizations. TQM is simply the process of building quality in to goods and services from the beginning and making quality everyone’s concerns and responsibility. The success of TQM depends on the genuine commitment to quality by every member of the organizations. TQM is a management strategy aimed at embedding awareness of quality in all organizational processes.
We must look at the three words which make the TQM i.e. \textsuperscript{13}

**Total**- Everyone linked with the company is involved in continuous improvement including its customers and suppliers if feasible.

**Quality** - Customers expressed and implied requirements are met fully.

**Management**- Executives are fully committed.

Besterfield defined Total means made up of the whole, Quality means degree of excellence a product or service provides, Management means act, art or manner of handling, controlling, directing etc. Therefore TQM is the art of managing the whole to achieve excellence. TQM is defined as both philosophy and a set of guiding principle that represent the foundation of a continuously improving the organizations.

Further Besterfield stated that TQM requires 6 basic concepts.

- A committed and involved management to provide long term top and bottom organizational support.
- An unwavering focuses on the customer both internally and externally.
- Effective involvement and utilization of the entire work force.
- Continuous improvement of the business and production processes.
- Treating suppliers as partners.
- Establishing performance measures for the processes \textsuperscript{14}.

TQM is a comprehensive and structured approach to organizational management that seeks to improve the quality of products and services through on going refinements in response to continuous feedback.


1.6 DEFINITIONS OF TQM

According to Zaire and Simintaries “Total Quality Management is a combination of socio-technical process towards doing the right things(externally), everything right (internally), first time and all the time with economic viability considered at each stage of each process”[15].

According to Price and Chen “TQM is a management system, not a series of programs. It is a system that puts customer satisfaction before profit. It is a system that comprises a set of integrated philosophies, tools and processes used to accomplish organizational objectives by creating delighted customers and happy employees”[16].

According to Armand V Feigenbaum “Total quality control is an effective system for integrating the quality development, quality maintenance and quality improvement efforts of the various groups in an organization so as to enable production and service at the most economical levels which allow full customer satisfaction”[17].

Defines TQM as a management philosophy and company practices that aim to control the human and material resources of an organization in the most effective way to achieve the objectives of the organization- British Standards Institutions BS 7850[18].

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TQM is a total organizational effort through full involvement of the entire work force and a focus on continuous improvement and use to achieve customer satisfaction. In fact TQM is associated with the organization itself, which is also a social system. TQM is both a philosophy and a set of management guiding principles for managing an organization [19].

TQM is a management approach for an organization, centered on quality based on the participation of all its members and aiming at long term success through customer satisfaction and benefits to all members of the organization and to society.

TQM is an organizational management approach for making all individuals responsible for improving the quality of goods and services supplied. TQM is management and control activities based on leadership of top management, the involvement of all employees and all departments from planning and development to sales and service. These management and control activities focus on quality assurance by which those qualities, which satisfy the customer, are built in to goods and services during the above processes and then offered to customers.

Thus TQM is a long term destination, it includes, commitment and direct involvement of highest-level executives in setting quality goals and policies, allocation of resources and monitoring of results, fundamental changes in basic beliefs and practices, building quality into products and practices right from the beginning—doing things right the first time, understanding of the changing needs of the internal and external customers, instituting leadership in place of mere supervision so that every individual performs in the best possible manner to improve quality and

productivity, eliminating barriers between people and departments, instituting flexible programs for training and education, and providing meaningful measures of performance that guide the self-improvement efforts of everyone involved. Activities in TQM include a rigorous program of ongoing internal organizational analysis, benchmarking against competitors, explicit change control and meaningful progress measurement in all areas [20].

1.7 NEW AND OLD QUALITY CULTURES

Table –1.1 below compares the previous state with the new TQM state for typical quality elements. As can be seen from the table, this change is substantial and will not be accomplished in a short period of time.

TABLE 1.1 NEW AND OLD QUALITY CULTURE

<table>
<thead>
<tr>
<th>QUALITY ELEMENT</th>
<th>PREVIOUS STATE</th>
<th>TQM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition</td>
<td>Product oriented</td>
<td>Customer oriented</td>
</tr>
<tr>
<td>Priorities</td>
<td>Second to service &amp; cost</td>
<td>First among quality of service &amp; cost</td>
</tr>
<tr>
<td>Decisions</td>
<td>Short term</td>
<td>Long term</td>
</tr>
<tr>
<td>Emphasis</td>
<td>Detection</td>
<td>Prevention</td>
</tr>
<tr>
<td>Errors</td>
<td>Operations</td>
<td>System</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Quality control</td>
<td>Everyone</td>
</tr>
<tr>
<td>Problem solving</td>
<td>managers</td>
<td>Teams</td>
</tr>
<tr>
<td>Procurement</td>
<td>Price</td>
<td>Lifecycle cost</td>
</tr>
<tr>
<td>Managers role</td>
<td>Plan, assign &amp; control</td>
<td>Delegate, coach, facilitate, and enforce, mentor.</td>
</tr>
</tbody>
</table>


The purpose of TQM is to provide a quality product to customers, who will in turn increase productivity and lower cost, with a higher quality product and lower price, competitive position in the market place will be enhanced.

1.8 FIVE PILLARS OF TQM

TQM is based on five pillars [21]

1) Top management commitment: that works for all quality improvement programs in a very effective manner since the vision of the leaders and policy makers at the top trickles down to the lowest strata of the employee base and henceforth it shows up in organizational productivity and delivery to the end user.

2) **Customer centric**: Here the customer is involved in designing and assessing products and services and a long-lasting trustworthy relationship with him is built.

3) **Relentless development**: by an appetite for risk, changing the decision maker’s customer focus, timely and honest self-appraisal, using mistakes and employee cynicism as stepping stone and not obstacle, working within the organizational framework and finally setting goals and deadline implementing gradual and incremental changes and sometimes even a watershed.

4) **Benchmarking**: Benchmarking is the process of comparing work, processes and service methods against the best practices and outcomes, for the purpose of identifying changes that will result in higher quality and growth output.

5) **Strengthening the employee base**: includes enriching the employees with knowledge, learning, training and entrusting them the power to take decisions.

### 1. 9 BASIC PRINCIPLES OF TOTAL QUALITY MANAGEMENT

The basic principles for the Total Quality Management (TQM) philosophy of doing business are to satisfy the customer, supplier and continuously improve the business processes.

**1.9.1 Satisfy the customer**: The first and major TQM principle is to satisfy the customer—the person who pays for the product or service. Customers want to get their money’s worth from a product or service they purchase.

**1.9.2 Satisfy the supplier**: A second TQM principle is to satisfy the supplier, which is the person or organization from whom you are purchasing goods or services.
1.9.3 **Continuous improvement**: The third principle of TQM is continuous improvement. You can never be satisfied with the method used, because there always can be improvements. Certainly, the competition is improving, so it is very necessary to strive to keep ahead of the game.

The principles of Total Quality Management are to seek to satisfy the external customer with and services, as well as organizations internal customers; to satisfy external and internal suppliers; and to continuously improve processes by working smarter and using special quality methods.

1.10 **CONCEPTS OF TQM**

**Customer focus:** The customer is the principal judge of quality. All the organizations must focus on all product and service attributes. That contributes to perceived value to the customer and lead to customer satisfaction. A customer driven concerns knows what the customer wants, how the customer uses its product, and anticipate needs that the customer may not even able to express.

**Participation and team work:** When managers give employees the tools to make good decisions and the freedom and encouragement to make contributions individually or in teams they virtually guarantee that better quality product and production processes will result.

**Involvement and empowerment:** Employee involvement involves changing organizational culture fostering individual development through training, establishing awards and incentives and encouraging team work. Employee Empowerment means involving employees in every step of the production process. It means enlarging employee jobs so that the added responsibility and authority is moved to the lowest level possible in the organization.
Continuous improvement and learning: Continuous improvement and learning should be an integral part of the management of all systems and processes.

Sustained management commitment to quality: Top management commitment and involvement in implementing TQM is very crucial for the success. Top management get involved in setting business strategies based on using product quality as a competitive weapon to capture the global market share and rewarding employees for achieving excellence in product quality.

Preventing rather than detecting defects: TQM prevents poor quality products or services rather than simply to detect and sort out defects. “Prevention rather than detection” is a very strong single characteristic of TQM.

Universal responsibility for quality: In TQM approach every one takes responsibility for quality. It is not restricted only to quality assurance department as quality improves, the inspection activity reduces and the quality assurance department gets smaller and ultimately may disappear.

Quality measurement: The quality measurement aspect of TQM asks the questions: where are we and where we going? Quality is a measurable entity and we need to know what the current quality levels are and what quality levels we aspire to.

Root cause corrective action: TQM seeks to prevent repetition of problems which were thought to have been corrected by identifying the root causes of problems and by implementing corrective actions that address problems at the root cause level.

Value improvement: The essence of value improvement is the ability to meet or exceed customer expectations while removing unnecessary costs. TQM removes unnecessary Costs and at the same time customer expectations and requirements are satisfied.
**Training:** People have to be trained to use the TQM concepts and technologies. Employees should be empowered by providing the tools necessary for continuous improvement.

### 1.11 POTENTIAL BENEFITS OF TQM

The advantages of adopting TQM as compared to conventional quality system are numerous and are outlined below.

#### TABLE 1.2 POTENTIAL BENEFITS OF TQM

<table>
<thead>
<tr>
<th>TANGIBLE GAINS</th>
<th>INTANGIBLE GAINS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better product quality</td>
<td>Effective team work</td>
</tr>
<tr>
<td>Productivity improvement</td>
<td>Enhancement of job interest</td>
</tr>
<tr>
<td>Reduced quality cost</td>
<td>Improvement in human relation</td>
</tr>
<tr>
<td>Increased revenue</td>
<td>Participation culture</td>
</tr>
<tr>
<td>Increased market share</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>Increased profitability</td>
<td>Improved communication</td>
</tr>
<tr>
<td>Reduced employee grievances</td>
<td>Enhanced problem solving capacity</td>
</tr>
<tr>
<td></td>
<td>Better company image</td>
</tr>
</tbody>
</table>

1.12 TECHNIQUES OF TQM [22]

**Statistical Process Control (SPC):** SPC is a statistical method through which managers can control the production or the service delivery process, in order to make shifts attempting to improve it. The basic objective of SPC is to reduce variation, which is inherent in many processes SPC is one of the most well-known management methods.

**ISO 9000 Series:** The International Standards Organization (ISO) 9000 is perhaps the most popular quality improvement system. It is an international set of documents widely known as standards written by a worldwide organization known as the ISO/Technical Committee. This set of standards ensures that a company has a specific quality improvement policy, which makes it more competitive in the market. This aspect of competitiveness is one that makes ISO 9000 very popular among Greek firms.

**Pareto Analysis:** It is a decision making technique that statistically separates a limited number of input factors as having the greatest impact on an outcome, either desirable or undesirable. Pareto analysis is based on the idea that 80% of a project's benefit can be achieved by doing 20% of the work or conversely 80% of problems are traced to 20% of the causes. It is a tool through the management team can eliminate problems that occur in the operation processes.

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**Matrix diagram:** This is a tool that allows managers to identify, analyze and rate the relationship between two or more variables, and in this way to encourage them to think in terms of relationships, their strengths, and any patterns.

**Histograms:** Histograms are also useful TQM tools. Histograms graphically demonstrate the relative number of occurrences of a wide range of events. The most important causes are shown on the diagram and correcting actions take place.

**Decision Tree diagram:** Which is also known as systematic diagram method, is a tool through which someone can arrange targets, problems, or customer’s needs in a specific order.

**Critical path analysis (CPA):** This tool is associated with managing projects. It is related to TQM because project management is critical to the implementation of quality programs within an organization. CPA seeks to establish, through the use of a network of arrows or nodes, a logical order of activities in terms of time and importance for the completion of a project.

**Fishbone or Ishikawa diagram:** The fishbone diagram is used to identify causes of a problem without using statistical methods. The fishbone diagram serves as an excellent reminder for the things that have to be done. This is a diagram which gives the relationship between quality characteristics (effect) and its factors (cause) it is a pictorial presentation in which all possible causes and their effects are displayed. By using cause and effect diagram it is possible to reduce defects and thus improve quality. It educates the people to improve their skills and helps in understanding the process better. It is an effective tool for the diagnosis of the various causes of the problem and helping to solve the problem.

**Quality function deployment:** QFD is an excellent way for firms to capture the voice of the customer. QFD is a customer driven quality process to guide the design,
manufacturing and marketing of goods. It tries to eliminate the gap between what customers want in a new product and what the product must deliver.

**Scatter diagram:** Scatter diagram used to determine whether the relationship really exist between two process characteristics and the direction of the relationship. The greater the scatter of the plotted points on the chart the lesser is the relationship between two variables.

**Flow chart:** Flow chart is best developed by having the people involved in the process employees, supervisors, managers and customers- construct the flow chart. Flow chart helps the people who are involved in the process understand it much better and more objectively. Employees realize how they set in to the process and who are their suppliers and customers which will lead to improved communication among all concerned. Once the flow chart is constructed it can be used to identify quality problems as well as of productivity improvement.

**Control chart:** Control limits are chooses statistically and quality characteristics will fall between these limits, if the process is in control. If the values fall outside the control limits then assignable causes may be affecting the process and the process is not stable. The process should be examined and corrective action taken as appropriate.

**Check sheets:** Check sheets are providing a systematic means of collecting and analyzing data. Check sheets are special types of data collection forms in which the result may be interpreted on the form directly without additional processing. It helps to identify the causes and take steps to removing them.
### 1.13 ROADBLOCKS IN IMPLEMENTING TQM

#### TABLE 1.3 ROAD BLOCKS IN IMPLEMENTING TQM

<table>
<thead>
<tr>
<th>NO</th>
<th>ROADBLOCK</th>
<th>SOLUTION STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lack of understanding of the TQM concept.</td>
<td>The top and senior executives should be committed to extend whole-hearted support.</td>
</tr>
<tr>
<td>2</td>
<td>Absence of visible support from senior &amp; top management</td>
<td>The management should make sincere efforts to let know their commitment by way of frequent visits to quality improvement teams and meetings &amp; story sessions.</td>
</tr>
<tr>
<td>3</td>
<td>Many layers of existing organization structure</td>
<td>TQM requires a flat organizational structure with large span control. A change in organizational structure to meet this need is required.</td>
</tr>
</tbody>
</table>
| 4  | Poor internal communication                  | - Breaking the barriers to communication. Periodic visit of one department employees to another.  
   |                               | - Exchange of ideas by participation of members of different departments in quality improvement teams |
| 5  | Heavy work loads                             | TQM does not require any extra time and effort on the part of management. A conscious expression of interest in day to day work is sufficient. |
| 6  | Nature of organization.                      | TQM is a philosophy and suits any organization.                                    |
| 7  | Lack of adequate training and education.     | - Provide education about TQM.  
   |                               | - Organize regular training programs  
   |                               | - Emphasize on ‘Learning to learn’ |
| 8  | Limited resources.                           | - Get experts from outside to train and educate senior and top management. Develop internal training mechanism |
| 9  | Measurement difficulties.                    | - Set objectives and standards in verifiable mode.                                 |

1.14 ORGANIZATIONAL STRUCTURE FOR TQM

In order to be successful in quality improvement effort it is essential to set up an organizational structure at the outset for the introduction of TQM. The structure of the organization can be evaluated by the management with the help of an outside consultant to determine whether a different organizational structure is required for the quality effort.

![Diagram of Organization Structure]

**FIG: 1.1 FRAMEWORK OF ORGANIZATION STRUCTURE**

Source: Anantharaman R.N “A conceptual model for TQM in service organizations” p.343

**TQM promotion committee:** The promotion committee is, actually, the top management of the company, which establishes and approves TQM policies and programs. The promotion committee also gives the approval to start the program and offers basic guidelines to make the TQM program operate effectively. Once the promotion committee approves the program, mission statement should be established so that guidelines can be set for the rest of the organization.
Quality steering committee: The first line managers constitute the quality steering committee. Members of all the major departments are represented in the committee. The committee determines policy, establishes direction, provides support and by example, demonstrates commitment to quality improvement. The committee is responsible for supervising the entire quality improvement process.

Quality improvement teams (QIT): QITs are groups of people who are responsible for making actual improvements in processes. Further, once the process requiring improvement is identified, an improvement team meets to identify probable causes of deficiencies and recommend changes in the process to improve performance. These teams are to have representatives of all departments affected by the process being studied.

Facilitator team or corrective action team: The facilitator team carries out the following duties:
Works as an active member of the steering committee, serves as quality improvements coordinator, trains members, leaders, management, co-ordinates, QITs, maintains progress records, prepares new training material, spreads some good words about the program, links all people in the organization, follows up on completed projects, attends meetings and conferences.

1.15 THE TQM MODEL

For assessing the effective implementation of TQM activities in an organization, models have been developed by different countries that are interested in introducing the TQM culture.
Following are some of the important TQM models.

1. The Deming Cycle
2. The Juran Model
3. The EFQM Award Model
4. Malcolm Baldridge National Quality Award Model

1.15.1 THE DEMING CYCLE \[23\]

W. Edward Deming is generally recognized as being the philosopher-guru of the Total Quality Movement. Deming developed a set of Fourteen Management Principles in the early 1980s.

**DEMING’S 14 POINT FOR MANAGEMENT**

*Point 1*: Create and publish to all employees a statement of the aims and purposes of the company or other organization. The management must demonstrate constantly their commitment to this statement.

- Need to create long-term strategic plans
- Mission statements must be developed
- May address quality improvement goals, competitive position, stable employment, return to investors, etc.
- Strategic goals must be customer driven
- Product quality is improved by customer needs

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Constancy of Purpose

- Set long term goals
- Short term “easy” profits may lead to long term losses
- Train employees for new philosophies

Consistency of Purpose

All departments’ target must be to meet organizational goals, not departmental goals.

**Point 2:** Learn the new philosophy, top management and everybody.

- Quality consciousness must be everything to everyone
- Organizations resist to change
- Top management must break this resistance
- Zero defect programs must be in action

**Point 3:** Understand the purpose of inspection, for improvement of processes and reduction of costs.

- Quality has to be designed into the product, cannot be inspected into it.
- Inspection does not eliminate the defects
- “Routine 100% inspection is the same thing as planning for defects”
- Zero defect programs must be in action
- Feedback from the customer and the process should be used to monitor and control defects
- Inspect all or none rule is Deming’s suggestion

**Point 4:** End the practice of awarding on the basis of price tag alone.

- Contractors should be selected by considering the price as well as their quality improvement programs
- Work with vendors who has solid quality programs
Reduce the number of suppliers

**Point 5:** *Improve constantly and forever the system of production and service.*

- Move from defect detection to defect prevention and continual process improvement
- Deming Cycle: Plan – Do – Check – Act
- Everything is fine if specifications are met.
- Decrease the variability in production (to meet the customer needs)
- Economic loss accrues with any deviation from the target

**Point 6:** *Institute Training*

- Employees must know company’s long term goals
- Employees must exactly know what is to be done and its importance in the entire process

**Point 7:** *Teach and institute leadership*

- Supervisors are the link between workers and the management
- Supervisor explains the commitment of the management to quality improvement to the workers
- Supervisors are in the best position to identify common causes inherent to the system

**Point 8:** *Drive out fear. Create trust. Create a climate for innovation.*

**Point 9:** *Optimize toward the aims and purposes of the company the efforts of teams, groups, staff areas.*

**Point 10:** *Eliminate exhortations for the workforce*

- Targets set by the management must be feasible
- Unreachable goals do not motivate workers
• Rather than providing slogans, they should precisely describe what they are doing to implement this long-term goal to the employees

• Employees can sense the management’s commitment only after this and this will motivate the worker to achieve the target goal

**Point 11:** (a) Eliminate numerical quotas for production. Instead, learn and institute methods for improvement. (b) Eliminate Management by Objectives. Instead, learn the capabilities of processes, and how to improve them.

• Numerical quota targets may increase the percentage of nonconforming items

• Quota system is generally a de-motivating tool

• Established work standards

**Point 12:** Remove barriers that rob people of pride of workmanship.

• A total quality system can exist only when all employees synergistically produce output that conforms to the goals of the company.

• Feeling of pride of workmanship increases motivation and establishes an ability to see themselves as part of the same team

• Treat workers with dignity, content workers are productive, explain the mission clearly

• Evaluate workers as Extremely Poor – Average – Extremely Well

**Point 13:** Encourage education and self-improvement for everyone.

**Point 14:** Take action to accomplish the transformation.
DEMING WHEEL OR DEMING CYCLE

The Deming wheel or Deming Cycle which is also known as the PDCA cycle (Plan-do-check-Act) is a problem solving process adopted by firms engaged in continuous improvement.

The Deming cycle was developed to link the production of a product with consumer needs. Firstly, identify the needs of customer then organizing the business according to the needs of the customer. Then focusing the resources of all departments in a cooperative effort to meet that need

- The Deming cycle proceeds as follows.
- Identify the needs and planning the product (plan)
- Produce the product (do)
- Check the product in accordance with the plan (check)
- Market the product (act)
- Analyze how the product is received in the market place in terms of quality, cost, efficiency, innovation, speed and other criteria.
FIG: 1.2 DEMING CYCLE

1.15.2 THE JURAN MODEL [24]

Dr. Joseph Juran had the greatest influence on the theory and practice of quality management.

Juan’s contribution to TQM centers on 4 themes.

1. Definition of quality and the cost of quality
2. Quality habit.
3. Quality trilogy
4. Universal breakthrough sequence.

1. Definition of quality and the cost of quality

Quality defined

*Juran defined quality as ---*

1. Product performance that results in customer satisfaction.
2. Freedom from product deficiencies, which avoids customer dissatisfaction.

Simply quality means “fitness for use”

*Fitness for use results from 5 major product traits.*

1. Quality of design
2. Quality of conformance
3. Availability
4. Safety
5. Field use

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Concept of cost of quality: Juran also developed the concept of COQ. The costs associated with defective products include cost of making, finding, repairing and avoiding defects.

Juran categorized the COQ in to 4 categories.

- **Internal failure cost**
- **External failure cost**
- **Appraisal cost and**
- **Prevention cost**

**Internal failure costs:** These costs are incurred when poor-quality products are discovered during the appraisal process, before they are delivered to the customer.

Examples of internal failure costs include the following:

- **Scrap costs:** The costs of poor-quality products that must be discarded, including labor, material, and indirect costs
- **Rework costs:** The costs of fixing defective products to conform to Quality specification
- **Process failure costs:** The costs of determining why the production Process is producing poor quality products
- **Process downtime costs:** The costs of shutting down the productive Process to fix the problem
- **Price-downgrading costs:** The costs of discounting poor-quality products—that is, selling products as "seconds."

**External failure costs:** These costs are incurred after the customer has received a poor-quality product and are primarily related to customer service. Examples of external failure costs include the following:
• **Customer complaint costs**: The costs of investigating and satisfactorily responding to a customer complaint resulting from a poor quality product.

• **Product return costs**: The cost of handling and replacing poor quality products returned by the customers.

• **Warranty claims costs**: The costs of complying with product warranties.

• **Product liability costs**: The litigation costs resulting from product liability and customer inquiry.

• **Lost sales costs**: The costs incurred because customer dissatisfied with poor-quality products and do not make additional purchases.

**Appraisal costs or Inspection costs**: These are the costs of measuring, testing, and analyzing materials, parts, products and the productive process to ensure that product quality specifications are being met. These costs are incurred to identify defective products before they are shipped to customers. Examples of appraisal costs include the following:

  • **Inspection and testing**: The costs of testing and inspecting materials, parts, and the product at various stages and at the end of the process.

  • **Test equipment costs**: The costs of maintaining equipment used in testing the quality characteristics of products.

  • **Operator costs**: The costs of the time spent by operators to gather data for testing product quality, to make equipment adjustments to maintain quality, and to stop work to assess quality.

**Prevention costs**: These are the costs of trying to prevent poor-quality products from reaching the customer. Prevention reflects the quality philosophy of "**do it right the first time,**" the ultimate goal of a quality management program. Examples of prevention costs include the following:
- **Quality planning costs**: The costs of developing and implementing the quality management program.

- **Product design costs**: The costs of designing products with quality characteristics.

- **Process costs**: The costs expended to make sure the productive process conforms to quality.

- **Training costs**: The costs of developing and putting on quality training programs for employees and management.

- **Information costs**: The costs of acquiring and maintaining (typically on computers) data related to quality, and the development and analysis of reports on quality performance.

2. **Quality habit**: TQM requires an unwavering focus on the need for better quality. This focus should develop into a habit of quality. Juran advocated a four stages process to develop the quality habit for any firm. These stages are:

   A) Establish specific goals that identify what organization members should do and why.

   B) Establish plans for reaching those goals with enough detail to guide people’s actions from beginning to end.

   C) Assign clear responsibilities for meeting the goals.

   D) Base rewards on results

3. **Quality trilogy**: Juran broke down the requirements for successful TQM into 3 major activities, the quality trilogy: quality planning, quality control, and quality improvement.
i. **Quality planning**: Quality does not happen by accident; rather it results directly from good planning. Quality planning begins with identifying customers both external and internal, determining their needs and developing product features that respond to those needs. Juran wanted employees to know who uses their products, whether in the next department or in another organization. Quality goal based on meeting the needs of customers and suppliers alike at a minimum combined cost are then established. Next the process that can produce the product to satisfy the customer’s needs and meet quality goals under operating conditions must be designed.

Quality planning involves the developing the products, systems and processes, needed to meet or exceed customer expectations.

The following steps are required:

- Determine who the customers are?
- Identify the needs of the customer
- Develop the product according to the needs of the customer.
- Develop systems, and processes, that allow the organization to produce these features
- Deploy the plans to operational levels.

ii. **Quality control**: A universal managerial process for conducting operations so as to provide stability-to prevent adverse change and to “maintain the status quo”. Quality control can also be described as “a process for meeting the established goals by evaluating and comparing actual performance and planned performance, and taking action on the difference”

The control of quality involves the following processes:

- What to control
Establish units of measurements to evaluate data objectively.

Establishing standards of performance.

Measuring actual performance

Interpreting the difference between actual performance and standards of performance.

Taking corrective action on the difference.

iii. Quality improvement: The process for creating breakthrough levels of performance by eliminating wastes and defects to reduce the cost of poor quality “All improvement takes place project by project” Provide the project teams with resources, training, and motivation to: diagnose the causes stimulate the remedies establish controls to hold the gains.

The improvement of quality should be ongoing and continual.

1. Develop the infrastructure necessary to make annual quality improvement
2. Identify specific projects to bring about improvement
3. Successful completion of the chosen project, Provide direction and allocating necessary resources to project teams
4. Assist teams to diagnose problems.
5. The project teams work to identify and implement changes to correct the causes of quality problems.
6. Resistance to change, managers should to encourage wide participation in TQM project.
7. Managers force a final challenge of preventing any return to old, inferior practices, and procedures. They can solidify gains by changing the overall process to make it consistent with the new, higher level of quality.
4. **Universal breakthrough sequence:** Juran’s universal breakthrough sequence identifies a set of actions directed towards achieving major leaps in quality. Juran asserted that all breakthroughs follow a universal sequence beginning with proof of need, then proceeding through project identification, organizing for improvement, the diagnostic journey, remedial action and resistance to change to culminate in actions to hold on to gains.

![Juran Trilogy Diagram](image)

**FIG 1.3 JURAN TRILOGY**

Source: Steven AMelnyk, David R. Denzler, “operation management”Irwin Mcgraw- Hill publishing, p 311.
1.15.3 THE EUROPEAN FOUNDATION FOR QUALITY MANAGEMENT AWARD MODEL. [25]

Although each organization is unique, this model provides a generic framework of criteria that can be applied widely to any organization or component part of an organization.

The EFQM Model for Total Quality Management is based on the following premise: Customer satisfaction, employee satisfaction and Impact on society are achieved through leadership by driving policy and strategy, people management, resources and processes, and leading ultimately to excellence in business results.

FIG 1.4 THE EUROPEAN FOUNDATION FOR QUALITY MANAGEMENT AWARD MODEL


Each of the nine elements show in the model is the criterion that can be used to assess the organization’s progress towards. The criterion parts are highlighted below:

**Leadership** - Examines how leaders visibly demonstrate their commitment to a culture of Total Quality Management, support improvement and involvement by providing appropriate resources and assistance, recognize and appreciate people’s efforts and achievement. The criterion also examines how leaders are involved with customers, suppliers and other external organizations.

**Policy and Strategy:** Describes how the organization formulates, reviews, and turns policy and strategy into plans and actions.

**People Management:** Evaluates how the organization realizes the full potential of its people, through a shared set of values and a culture of trust and empowerment.

**Resources:** Describes how the organization manages financial resources, information resources, materials, and other assets effectively and efficiently.

**Processes:** Examines how the organization identifies, manages, reviews, and improves its processes.

**Customer Satisfaction:** Addresses the customer’s perception of the organizations products, services, and customer relationships. The criterion also evaluates the performance of the organization in satisfying the needs and expectations of its external customers.

**People Satisfaction:** Discusses the people’s perception of the organization. This criterion also examines the performance of the organizations in satisfying the needs and expectations of its people.

**Impact on Society:** Examines society’s perception of the organization, the environment and the preservation of global resources and the organizations own
internal measures of effectiveness. It will include its relations with authorities and bodies, which affect and regulate its business.

1.15.4 MALCOLM BALDRIDGE NATIONAL QUALITY AWARD

The Bald ridge award recognizes quality efforts that have senior management leadership, business results, employer involvement, control of internal processes, and strong customer satisfaction.

The criteria for performance excellence are-[26]

**Leadership:** Examine senior executive’s personal leadership and involvement in creating and sustaining values, company’s direction performances, expectations customer focus and a leadership system that promotes performance excellence.

**Strategic planning:** Examines how the company sets strategic goals and how it determines key action plans and how plans are translated into an effective performance management system.

**Customer and market focus:** Examines how the company determines the requirements and expectations of customers and markets and also how the company enhances relationships with the customers and determines their satisfaction.

**Information and analysis:** Examine the management and effectiveness of the use of data and information to support key company processes and company performance management.

**Human Resource Focus:** Examines how the work force is enabled to develop and utilize its full potential aligned with company objectives. The company’s efforts to

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build and maintain an environment conducive to performance excellence, full participation and personal and organizational growth are also examined.

**Process management:** Examines the key aspects of process management which include customer focused design, product and service delivery processes, support processes, and supplier and partnering processes involving all work units.

**Business results:** Examine the company’s performance and improvement in key business areas—customer satisfaction, financial and market performance and also operational performance.
1.16 PRACTICE OF TQM IN INDIAN BANKING SECTOR

The primary objective of any organization is survival. Survival in the organization context means delivering products that satisfy the required quality, quantity and schedule. Organizations have been widely implementing the TQM methodology to ensure that their product meet the set quality standards. The TQM
method of management begins and ends with the customer. It is purely a customer oriented method of management [27]

Till the early nineties visit to a bank was a harrowing experience. Customers had to wait for hours in serpentine queues to withdraw cash or get demand draft. Banking hours was 10am to 2pm. The shutters are upped at 10 am but rarely any one of bank persons is at his or her seat before 11 am. Then they keep leaving their seats for coffee breaks, gossip breaks, and water taking breaks etc, at 2pm sharp the shutters are downed. The passbook printer is out of order; the draft cannot be issued as it is the salary week. They cannot be issued in other weeks because of shortage of staff. Cheque books are out of stock and we have to implore the bank manager or accountant to allow the withdrawal of our own money by a withdrawal form. Banks used to issue passbook to their customers that were updated manually which took weeks. Sometimes they were never restored and lost as also leaving scope for errors. It took almost 2-3 days to open a bank account and get a cheque book. The bank manager and other employees working in the bank may call themselves bankers, but they are not in banking services. The customers are totally dissatisfied with their service [28].

Most bankers believe that they are in the finance industry and not in the service industry. Thus they tend to compete in terms of financial prowess rather than service quality. People, resources, time and systems are engaged in managing assets and cash rather than managing customers and service. In fact most bank systems are designed to control customer rather than satisfy customers. Products and procedures

are set for the convenience of bank rather than that of the customer. In big banks most of the persons are responsible for guarding its assets but no one to take care of customer service and complaints. Banks usually give customer service and satisfaction very low priority and accordingly assign it to a low level, if not lowly paid manager. Few or none of the banks elaborate systems and structures are designed to monitor and maintain customer loyalty.

Today bank visits, if at all needed are no longer on unpleasant experience. Bank accounts are opened even before the steaming hot cup of tea served to customers turns cold. Thereafter customers can operate their accounts without visiting the bank. Banking which was restricted to a handful of people a few years ago has spread to every street, with a private/public sector banks offering convenience and innumerable facilities to people. Innovative strategies for distributing and delivering services ensure a better competitive advantage over rivals and can give a service provider the edge to get ahead of the competition.

In today’s competitive environment banks will have strive to attract and retain customers by introducing innovative products, enhancing the quality of customer service and marketing a variety of products through diverse channels targeted at specific customer groups. Customer service will be a focus area for banks. The customers are the lifeblood of any business. Profit comes from sales minus cost. Sales must be realized first before cost becomes relevant. Customers decide sales based on their perception of product and service quality. In short, quality determines profits, and customer alone defines and determines what that quality is and should be.

Banking is a service industry and there is always room for improvement. Banks move from the realm of quality service into the domain of total quality management, they are asking themselves some serious questions about the way they
do business. Their probing extends beyond sales and service to include the total management philosophy. Banks are opening up their definition of quality management and considering what their customers expect and experience, rather than just what the bank provides. Bank should approach the customer and not have the customer approaching banks. This will ensure that employees bring in more young customers to the Banks. In this manner bank would be able to get referrals and also cross sell other financial products. Branch as a team should work towards this goal. There are a lot of factors that go into the total quality that the customer never sees, yet considers important such as accuracy in processing. Both internal and external procedures are being examined, measured, and improved to deliver quality service that is consistent throughout the bank. Sometimes referred to as re-engineering or strategic management, total quality management programs empower employees to participate more in the decision process. The Bank introduces BPR which would mean reducing the transactional workload of employees in the branches. Employees should visit customers at their residence. It’s not just the frontline employees who are being asked to bear the responsibility for delivering quality service, but backroom employees also are being held accountable.

The need of hour is to develop awareness of TQM approach in banks to strive for achieving zero error and zero grievance levels. In fact, most of the bank systems and services are designed to control customers. Banks in India especially public sector banks have to bring in more quality in their activities and services in order to be competitive in this changing banking environment. The key focus area would lie in leveraging the available technology and bringing in more efficiency. For example if a customer has a grievance, the bank will use technology in address his complaints and
solve it within 24 hours or a maximum of three days. Customer satisfaction perhaps is the only route to survival and growth.

Developing strategies that focus on satisfaction as the starting point makes it imperative to identify what satisfies or makes customers happy. The public sector banks must delight to their customers. In a service industry like banking the quality of customer services holds primary significance, particularly in that context of sustained business growth.

In a deregulated environment customer expectation keeps rising as they look for more convenient and flexible option available to them at competitive rates from many players operating in the field. The customer has umpteen choices to meet his banking needs. In this millennium, the banks will have to proactively move in the market and establish long term relation with the customer. Customer relationship marketing has become a strategic mantra. Having realized the need and importance of CRM banks have started developing their customer data warehouse to do a more purposeful study. On the behavioral patterns of the customer, new innovative products and services can be developed on the basis of such analysis. Employees need to have knowledge about competitors and their product and strategy to retain the customers. Acquiring new accounts would be an important constituent of the key responsibility area for the appraisal of employee performance. In order to inculcate internal marketing as an organizational practice, banks need to have suitable employee empowerment as a strategic tool to meet the challenges of marketing in this millennium.

In the case of service organizations like banks the service that they render are intangible. Services are treated as performances. Delivery of service up to the customer’s expectations, the services may be said to be of adequate quality or they are
within the standards and specifications. Customer centricity is increasingly becoming the main determinants of success in service industry like banking. Customers are more influenced by the actual delivery of service rather than the marketing communications relating to the service delivery. The bank marketer should ensure that whatever offers he makes to the customer are really delivered to them along with the promised quality otherwise poor service delivery may prove to very costly to him. The bank marketer should focus on long term relationship rather than short term business gains. Only such kind of relationships can ensure sustained growth and profitability in industry like banking.

In a competitive and deregulated environment like that of ours, success of any marketing effort depends largely on the ability to create and sustain product that offer something extra to the customers. What is really important here is to understand what is important to customers, with the intension of delivering superior quality service consistently. The role of bank marketer today is no more limited to his functional area. He has to play a vital role in product and process innovation with a view to ensuring superior quality service. Consistently excellence in customer service has become the most important factor influencing business growth in today’s competitive business scenario. New and innovative products need to be launched, so that they fit in to the expectations of the different market segments. Most importantly customer centricity, cost management and technology adoption all the three interrelated to a large extent are going to be the hallmark of success in banking.

Quality is especially important in the banking sector because duplication of product and services is relatively easy. Quality becomes the only differentiator and the key to continuing success. With the increasing competition, banks that survive and succeed will be the one that provide quality service. Banks that wish to succeed and
stay ahead must, therefore systematically build a structure that aims at providing Total Quality service. The top management of the bank is the custodian of quality key. They have the responsibility to ensure that the key is properly used and is made to work for their bank. This can only if top management believes in and is committed to developing a quality services bank. Quality is a primary responsible to management and quality measures can only succeed with top management commitment. Quality is on the quality gurus says a journey: A journey that continues as the bank achieves higher and higher level of success. Once the top management can successfully communicate this to all employees and ensure their commitment, the bank can successfully implement and reap the benefits of achieving high service quality. The service created with the involvement of the customer, if there is no customer there can be no service. The customers are inseparable from the service. Customers are central to the banking services. Customer satisfaction is a good determinant of the quality of services provided by a bank [29].

A bank must be equipped to deliver both technical and functional quality thus ensuring that it provides its customers with total quality service. Bank employees provided inherent part of the service to the customers. It is not enough that they be trained to proved quality service, which they know what to do and how to do it. The employees be committed to providing total quality service and empowered to deliver quality service customer.

The Indian banking institutions is going through turbulent times. With the lowering of entry barriers and blurring product lines of banks and non banks since the financial sector reforms, banks are functioning increasingly under competitive

pressures emanating from within the banking system, from non banking institutions and from the domestic and international capital markets. In this era of mature and intense competition pressures, it is imperative that banks maintain a loyal customer base. In order to achieve this and improve their market and profit positions, many banks are directing their strategies towards increasing customer satisfaction and loyalty through improved service quality.

In the present competitive Indian banking context characterized by rapid change increasingly sophisticated customers, it has become very important that banks in India determine the service quality factors which are pertinent to the customer’s selection process. The current problem for the banking industry in India is to determine the dimensionality of customer perceived service quality. The dimensions of customer perceived service quality are customer orientedness, competence, tangibles and convenience. The first factor customer orientedness is primarily related to the attitude and skills of employees providing the service. The second factor competence is primarily associated with the concept of providing reliable service to the customers. The third factor tangibles are primarily associated with the visual appeal of the banks physical facilities and communication materials to the customers. Finally the fourth factor convenience encompasses items related to the convenience of the banks branch locations and spread of the bank ATM networks. Improving service quality can increase favorable behavioral intentions, namely word-of-mouth communications and purchase intentions and decrease unfavorable intentions, namely complaining behavior.

Global measures brought in a completely new operating environment in the banks. Banks are offering innovative technology based service to customers. The world wide revolution in information and communication technology has to be
reckoned by the banks as it reduces cost, increases volume and facilitates customized products. In the liberalized economy the computer is occupying the center stage of the banking function. With the introduction of computers, customer service has become very easy and convenient. Banks have to be customer centric in their operations. Delivering what the customer required is the most important thing.

The banking sector in India has made remarkable progress since the economic reforms in 1991. New private sector banks have brought the necessary competition into the industry and spearheaded the changes towards higher utilization of technology, improved customer service and innovative products. Customers are now becoming increasingly conscious of their rights and are demanding more than ever before. The recent trends show that most banks are shifting from a product centric model to a customer centric model as customer satisfaction has become one of the major determinants of business growth. In this context, prioritization of preferences and close monitoring of customer satisfaction have become essential for banks.

With the changes in customer perceptions and expectations the future of business very much depends upon the ability of the banks to develop a close relationship with customers. In order to shift from the past practice of transaction based banking to relationship banking, it is necessary to change the attitude and orientation across the organization towards marketing a concept. In the process emphasis should be on winning the customers as a lifetime supporter. Banks have moved from sellers market to buyers market.

The traditional practice of a customer calling on banks for conducting his banking business is becoming irrelevant. Customer is now a new watch word in the Indian banking scene. It is against this background the study customer satisfaction of banking service an overview was carried out to find the customer satisfaction level on
various services provided by the banks. Because of the strong competition, customer expectations to receive high quality services and quick changes of technology, banks must therefore think strategically by providing high quality products and services to satisfy their customers.

The changes starting in the face of bankers relate to the fundamental way of banking which is undergoing a rapid transformation in the world of today in response to the forces of competition, productivity and efficiency of operations, reduced operating margins, better asset / liability management, risk management, anytime and anywhere banking. The major challenge faced by banks is to protect the falling margins due to the impact of competition. Falling profit margins call for increasing volumes so as to result in better operating results for banks. This will be best achieved by exploiting the advantages of technology, which facilitates handling increased volumes at higher levels of efficiency and enhancing customer relationships.

It is in this context that there is an imperative need for not mere technology upgradation but also its integration with the general way of functioning of banks to give them an edge in respect of services provided to their constituents, better housekeeping, optimizing the use of funds and building up of MIS for decision making, better management of assets & liabilities and the risks assumed which in turn have a direct impact on the balance sheets of banks as a whole. Technology has demonstrated potential to change methods of marketing, advertising, designing, pricing and distributing financial products and services and cost savings in the form of an electronic, self-service product delivery channel. These challenges call for a new, more dynamic, aggressive and challenging work culture to meet the demands of customer relationships, product differentiation, brand values, reputation, corporate governance and regulatory prescriptions.
In Eleven Conditions for Excellence, Ray Boedecker outlines the importance of management backing up strong words with visible action. Boedecker suggests management take the following actions:

1. Incorporate quality into the bank's strategic plan
2. Issue a policy stressing the importance of quality, the commitment of the organization to quality improvement, and everyone's responsibility for improvement
3. Make organizational changes
4. Form a quality council composed of senior managers who report to the CEO
5. Initiate quality training activities
6. Incorporate quality improvement goals in operating plans on a par with other traditional bank goals
7. Listen to customers through various forms of market research
8. Make quality a periodic agenda item at meetings
9. Insure that quality is a factor in all performance, compensation, and incentive programs
10. Visit operating units and community offices to talk with managers and employees about their feelings on quality. Find out what problems they face in meeting customer expectations
11. Initiate recognition and reward system to reward quality achievements for individuals and groups
12. Review quality goals and targets and challenge them frequently
13. Communicate personally to the entire organization what is being done to elevate the importance of quality
14. Educate the senior management group on quality improvement
15. Visit other firms that have embarked on quality improvement programs
1.17 BASICS OF TQM IN BANKING

Producing a defective product is certainly antithetical to quality. However, preventing defects has not captured the strategic interests of top managers. By focusing on the customers, managers view quality as a means of achieving competitive advantage by providing value to customers. Value based approaches expand on the regarding value based approaches. Customer value has been defined as a combination of benefits and sacrifices occurring when a customer uses a service to meet certain needs. Certainly, managers must ensure quality through conformance to design specifications. But quality of conformance should be a secondary issue, pursued only after they have seen that design conforms to the needs of the customers. Thus managers should regard quality as an important element to strategy formulation and planning, deciding which customer to serve, which services to offer, and how to provide value to customers and to outperform competitors in doing so. Once top managers decide to compete on the basis of particular dimensions of quality, they enter the realm of strategic planning. This means assuming personal responsibility for continuously improving the systems and processes that provide valued service for customers.

A popular slogan of the quality movement is “Quality begins with the customer.” The premise being if customers are the people who receive our work then only they can tell us what they want and how they want it. To achieve this, one must collaborate with internal and external customers to determine their needs.

When TQM is successful, employees at every level participate in decisions affecting their work. The most common vehicle for employee participation is a team. Teams range in scopes and responsibility from problem solving to self managed work teams that schedule work, assign jobs, hire members, and set the standards and
volume of output. A participative work is when quality becomes everybody’s responsibility. Whether its re-examining procedures, the understanding that happy employees and efficient operations lead to satisfied customers, which translate into improved profits, fuels redesigning a quality assurance program or revamping training service. Quality service is no longer the job of only the front-line employees; it is everyone’s responsibility.

For the successful implementation of a quality approach that will eventually lead to quality improvement of the provided services, the following factors are necessary:

**Trusting:** Bank must have a good, trustable staff that’s able to work properly and on time.

**Eagerness of staff:** Staff must be eager and have the desire to work anytime.

**Proficiency and capability:** Staff must be professional and capable of the job they are doing in order to be able to help their clients.

**Good location:** Bank that can be reached quickly, contacted by phone easily is always recommended.

**Well-mannered staff:** Polite and smiling face staff can always be close to their clients.

**Communication:** Level of discussion between the employees and the customers must be understandable.

**Persuasive:** Employees, while working, must persuade that they work happily.

**Safety, security:** Customers will always prefer to work with the bank with low risks.

**Physical value:** Decoration, number of branches, used machines, etc., are also factors that help in improving the quality of a bank.
**Understandable staff:** Working staff must be understandable to their clients’ questions and needs.

1.17.1 Problems Faced by the Banks in Applying TQM

While using TQM strategies in banking sector, some problems can occur that limits the TQM’s success. The most important problems are:

i. The employees must be supported and given good service from the entire of the bank such as machines, information, etc. This will affect the quality of services rendered to clients. These elements do not have direct contact with clients but they affect the service quality the employees will work on. The employees are the representatives of the bank. The clients will blame the employees for any mistake that may take place during any banking operation.

ii. Adopting the technology and changing the machines (computers) in very short periods of time will cause difficulties to the staff to get used to the new system which will make their work more complicated and take more time which will decrease the quality of the service. No doubt changing and improving the system will make the firm more successful in the long run, but when done in short periods, the time needed to operate the system will be long.

iii. Having the staff working in the same position for long time which will cause the quality of service to decrease by time. For this reason, the employees feel bored from always doing the same operations and same job which will lead to a working staff without job satisfaction or motivation.
1.17.2 Improving the Quality Management in the Banking Sector

Total Quality Management (TQM), which is about total customer service and continuous customer satisfaction, is applicable not only in the manufacturing industry but in the service sector as well, where the customer is just as important. In fact, customers in the service industry are more sensitive to service quality and service delivery than in manufacturing because they are always in contact with front-line service personnel, which is not the case with factory workers. These points-of-purchase contact or “moments of truth” decide whether the customer will come back or shift to the next-door competitor. Solving the problems and improving the quality in the banking sector cannot happen through one solution. A number of steps should be applied and the important point is to control these steps after applying them.

Steps for improving are as follows:

1. Determining quality factors
2. The customer’s expectation of quality
3. Influencing the customer’s expectation
4. Technical efficiencies

Presently banks are ranked, benchmarked, and judged of their success by sheer size, financial resources, and other quantitative measures which hardly indicate customer service quality: asset base, number of ATMs, number of depositors, number of transactions, amount of loans released, etc. Bank executives are mainly involved in asset management, cash flow management, spread management, asset/liability management, and financial ratio analysis. A bank applying TQM should track as goals

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and benchmarks those that matter to the customer. In this regard, the following factors should be taken into account:

- Processing times of key products and services, like loans, new accounts, ATM cards, credit cards, check encashment;
- Waiting times like downtime and queuing time;
- Customer complaints, written or verbal;
- Friendliness and efficiency of staff;
- Accuracy and timeliness of statements of accounts and records;
- Effective interest rates, inclusive of all service and hidden charges;
- Promptness in responding to customer inquiries such as in answering the phone, the number of rings before phone is picked up, and number of transfers before the caller talks to the right person.

Many banks have neglected the basics in salesmanship and service: no greetings when meeting customers, no thanks to the customers after any and every transaction, and no eye contact with the customer, no apologies for having kept customer waiting. In Japanese banks, tellers are trained to thank the customer all the time even if he withdraws money, and to apologize if he was kept waiting longer than the standard time. Depositors, borrowers, inquirers, in fact, anybody who enters the bank are all treated as customers with immediate and thorough attention. In contrast, the first to welcome customers in many banks in Asia are heavily armed security guards. The banking industry has probably the largest training budget in the private sector, next to
the airline; with so much to be desired in customer service quality, these huge sums are obviously wasted in training the wrong people in the wrong things. [31].

1.18 NEED FOR THE STUDY

The need for the present study is to understand how banks can perform components of TQM in a better way. In this study, an effort is made to study the process of TQM practices and its impact on Economic Performance of respondent bank. It is presumed that the results of the present study will be of great value to the TQM practicing banks to enhance the Quality of service. Further, the results of the investigation would throw new and effective light on the components of TQM. The outcome of the study would also help the banks to formulate suitable programs and use appropriate methods to improve the Economic Performance of the banks.

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1.19 STATEMENT OF THE PROBLEM

Literature revealed that most of the organizations in India which implemented TQM dropped their initiatives within the first two years because they faced all kinds of new problems on account of less background preparation for implementing TQM. TQM in Indian organizations is not working up to its optimum capacity because of lack of team spirit, operational problems and a failure on the part of the steering committee to review the process of TQM practices constantly.

The present study is undertaken to find the answers to the following:

1. What is the level of practice of TQM in Respondent Banks?
2. What is the level of Economic performance in Respondent Banks?
3. What is the Relationship between TQM and Economic performance in Respondent Banks?
4. What is the influence of TQM on Economic Performance in Respondent Banks?