CHAPTER 3

CRITICAL SUCCESS FACTORS

3.1 INTRODUCTION

Prior to nationalization of banks in 1980 in India, the banks existed in a state of isolation from the rest of the world. Banks enjoyed protected market with virtually no foreign competition, and most of the banks provided identical services with customers having little or no choice. However, after the economic liberalization and globalization policy adopted by the Indian Government since early 1980s, the banks and financial institutions face challenges. Strengthening the financial sector and improving its efficiency have been very important for India and in response to this, increasing attention has been paid to the need for new managerial practices, especially the possibility of emulating western management practices. One such management practice that captured the attention of finance sector since the early 1990s is TQM. There is a widespread consensus that TQM is a way of managing an organization to improve its overall effectiveness.

TQM can be implemented successfully in developing countries despite high cultural and organizational barriers. The factors for successful TQM implementation were addressed after extensive theoretical investigation by many authors (Sila and Ebrahimpour 2002, Park Dahlgaard 2001, Bergman and Klefsjo 2003). TQM implementation requires management’s unwavering commitment and enthusiasm (Reed et al. 2000). The quality approach as a larger function in financial sector has brought to banks and
financial institutions a new manner of conceiving quality, because it engages
decision makers of the institutions in the effort for better performance. For
adequate conduction of the actions for quality as a larger function and for
successful implementation of TQM in banks and financial institutions, eight
dimensions, namely Policy and Strategy, Top Management Commitment,
Organizational Structure, Human Resources, tangibles, Systems and
Processes, Continuous Improvement and Customer Focus have been
identified and are discussed in this chapter.

3.2 POLICY AND STRATEGY

Policy is a guide for everyone in the organization for providing
quality service to the customers. It has statement of ideals proposed and
commitment of the institution to achieve them. Strategy is a long term plan of
action to reach quality goals in service. The recognition of quality as a
strategic issue in business planning is critical for a successful TQM
implementation (Shin et al, 1998). The strategic dimension from the point of
view of quality can be unfolded in three fundamental variables: mission,
performance measures and technology. One of the critical aspects of being
successful in a modern business context is having clear vision, a balanced
journey for the future based on a market-oriented approach and building core
competencies of the organizations concerned.

The company draws up strategic action plans which are used to
regularly review and to establish the organization’s short-term and long-term
objectives and to pre-empt competitive situations. Its ‘gold standard’ is a
commitment to quality.

Strategic plans and related policies always consider customers’ needs,
suppliers’ capacities and the needs of any other stakeholders in the company’s
activities. Strategic planning of TQM implementation creates an organization-wide change. The supervisory team promotes learning and systematic change in the institution (Spector and Beer, 1994).

Detailed information about competitors’ actions, other market agents’ behaviour, legal and environmental issues, etc., is collected to help formulating strategy.

Information from all the company’s processes is analyzed when strategy is defined. Progress towards achieving strategic objectives is regularly assessed. Strength, Weakness, Opportunity and Threat (SWOT) analysis is regularly used to review and update business strategy. Resources are allocated to achieve strategic objectives. Integration of strategy and TQM evolves in five sequential stages:

- Annual budgeting, young organizations struggling to survive,
- Long-range planning, an awareness of interconnections in the world climate and looking to build a place therein,
- Strategic quality planning, the awareness that quality is the key to maintaining a place in world markets,
- Management by policy, formally implementing quality as a competitive weapon, and
- Strategic quality management, a customer-driven, process approach to TQM.

An organization develops its policies and strategies systematically using information on performance against agreed targets and comparisons with “best in class.” Introduction of a new policy is communicated to all staff
through meetings and through all staff receiving written copies of the policies. Consolidation of present quality strategies and initiatives enables a base from which the TQM process can be developed (Newall and Dale 1991). Individual commitment to policy change is achieved by involving people in policy formation or consulting with them and by identifying individual responsibilities within policy implementation.

3.2.1 Mission

Mission, from the Latin *missum* (English: sent), refers to a specific task, which a person or an organization has been charged with or adopts as their main purpose. The mission of an organization is often stated explicitly in a mission statement. They define measurable objectives, which must be agreed on as being indicators of success in terms of the mission (Oakland 1989). Mission describes the activities for achieving the Vision. The Mission is the cause and the Vision the effect. The Mission statement may also contain *verb* (design, train, maintain, etc.) + *object* (system, strategy, etc.) + *target value* (how much, #, %, etc. *This is optional*) + *time limit* (should be the same time frame as Vision). Mission and Vision have a cause and effect relationship. Vision should reflect what the organization sees for itself 5-10 years down the road. The short time frame helps assure that the organization revitalizes itself every decade or so. The Vision statement should contain *direction* (improve, decrease, etc.) + *indicator* (quality, customer satisfaction, etc.) + *target value* (how much, #, %, etc.) + *time limit* (by when).

The policies of the organization are elaborated from the mission, unleashing a process that culminates in the elaboration of the plans for the organization. The steps and sequences for implementation of TQM are presented by Gobadian and Gallear (1997). The functions of the organization to achieve the quality service goals are described as a mission. The mission is
a set of coherent ends assumed by the individuals of an organization in the search for survival and perpetuation of the business through long-term development. A mission statement is the beginning of personal and organizational leadership. It is our vision. It provides overall direction and clarifies purpose and meaning. By referring to it, and internalizing its meaning, we are more likely to choose behaviour that serves our values, and reject behaviour that opposes them. It is congruent with our Total Quality Management philosophy. TQM sets out to define a whole organization's mission, by measuring throughout the whole process as to how well the organization is meeting its established standards. The various activities essentially required to implement TQM are development of understanding and commitment, planning and training employees (Huxtable 1995)

3.2.2 Performance Measures

Performance measurement is a fundamental building block of TQM and a total quality organization. Historically, organizations have always measured performance in some way through the financial performance, be this success by profit or failure through liquidation. Euske and Lebas (1993) defines performance measure as the characteristics of output that are identified for evaluation purposes. In the cycle of never-ending improvement, performance measurement plays an important role in:

- Identifying and tracking progress against organizational goals.
- Identifying opportunities for improvement.
- Comparing performance against both internal and external standards.

Reviewing the performance of an organization is also an important step when formulating the direction of the strategic activities. It is important to know where the strengths and weaknesses of the organization lie, and as
part of the ‘Plan – Do – Check – Act’ cycle, measurement plays a key role in quality and productivity improvement activities. It is needed:

- To ensure that customer requirements are met
- To be able to set sensible objectives and comply with them
- To provide standards for establishing comparisons
- To provide visibility and a “scoreboard” for people to monitor their own performance level
- To highlight quality problems and determine areas for priority attention
- To provide feedback for driving the improvement effort

It is also important to understand the impact of TQM on improvements in business performance, on sustaining current performance and reducing any possible decline in performance. Performance measurement is “mysterious…complex, frustrating, difficult, challenging, important, abused, and misused” (Sink 1991). They act as the organization’s fundamental signs which “quantify how well the activities within a process or the outputs of a process achieve a specified goal” (Hronec, 1993). Performance measures form a critical part of the organization’s strategic control loop, without which no one can tell whether their objectives are achieved in the process of operation. Hence, the identification of appropriate performance measures will have a direct impact on an organization’s strategic formulation and implementation.

Performance measurement differs from performance measures in that it is a “systematic assignment of numbers to entities” (Zairi 1994). Its function is to “develop a method for generating a class of information that
will be useful in a wide variety of problems and situations” (Churchman 1959). In other words, performance measurement is a follow-up action to the identification of performance measures that enables the management to feed the data collected on the identified parameters, into the performance measurement systems for meaningful data analysis and interpretation. The need and motivation to measure an organization’s performance were raised in the literature, among which including Locke (1981), Euske (1984), Daniel (1988), Sink (1991), Thor (1991), Maisel (1992), Hronec (1993), Cool and Henderson (1998), Hoek (1998), Holmberg (2000), Hoek (2001). So far different managerial views of performance measurement were discussed extensively and seven points will be briefly highlighted.

1) Planning, control and evaluation

Performance measurement facilitates the planning process of the management, usually from a top-down approach to operations. In a strategic sense, planning is the formulation of an organization’s mission(s) and goal(s) by the top management, with a detailed definition of objectives that are in line with the identified goal(s) in the different departments of the organization (Hill and Jones 1998). Control is the set of methods and tools that top and middle management use to ensure that an organization achieves the objectives set (Atkinson et al 1998). Evaluation refers to the critical process of analyzing the measurement and interpretation of results in order to make sound and informed decisions. Such “measurement process is central to the operation of an effective and efficient planning, control, or evaluation system” (Euske 1984).
2) Managing change

Both Maisel (1992) and Sieger (1992) agreed that performance measures identified must support management initiatives such as TQM and monitor the changes in the quality. Organizations that emphasize TQM tend to measure more processes and outcomes than non-TQM-focused organizations. But the primary requirement of such TQM-focused organization is to integrate those measures across levels (vertically) and across functions (horizontally) through effective communication of the rationale behind the performance measures set throughout the organization (Olian and Rynes 1991).

3) Communication

Measurement helps to reduce emotionalism felt by the management, while increasing their potential of constructive problem solving, increasing influence, monitoring process, giving appropriate feedback and reinforcing behaviour (Daniels and Rosen 1988). Performance measurement acts as a gauge on the effectiveness of the organizational communication of the mission and goals down the organization’s hierarchy. On the other hand, Juran (1992) suggested that it is necessary to provide precise communication by saying it in numbers, as vague terminology does not serve this purpose. Hence, instead of stating “need to produce more”, performance measurement system ought to quantify the exact number of products/services to be produced.

4) Measurement and improvement

Improvement is a fundamental reason why performance of an organization should be measured. Some literature suggested that (1) “perhaps
the only really valid reason for measuring performance...is to support and enhance improvement” (Sink 1991) (2) “not part of Continuous Improvement, then the critical linkage between performance and evaluation is broken” (McNair et al. 1990), (3) “provides a scorecard to report how well improvement efforts are working. Performance measurement is an integral part of Continuous Improvement” (Miller 1992) “the beginning of improvement, because if you cannot measure the activity, you cannot improve it” (Harrington 1991). As such, without an understanding of the organization’s baseline performance, it is impossible to qualify and quantify the areas in which improvement efforts ought to be concentrated in.

5) Resource allocation

Measurement “helps an organization direct its scarce resources to the most attractive improvement activities...measurement also provides a direct stimulus to action” (Thor 1991). This requires the identification of the functional or management areas in which improvement activities can be carried out and the impact of the improvement activities on the profitability and cost structure to be accessed in quantitative terms.

6) Measurement and motivation

Performance measurement has a direct psychological impact on the source of individuals’ motivation. Locke et al. (1981) and White and Flores (1987) show that when individuals are given challenging and achievable targets, their performance not only improves but also is maximized. On the other hand, Euske et al. (1993) maintained that the impact of performance measurement on the individual’s motivational response is dependent on several factors such as the organizational context of the measurement (planning), the rationale supporting the use of the measurements (effective
communication) and the degree of agreement between the measurements and the organizational objectives (evaluation).

7) Long-term focus.

Managers have often been criticized for their excessive focus on short-term results, a phenomenon found in an over-emphasis on financial measurements (Merchant and Bruns 1986). Hence, an appropriate set of performance measures consisting of financial and non-financial measures is necessary to help managers adopt both short-term and long-term perspectives (Carpenter 1993, Shuler et al 1991, Goold and Quinn 1990). The seven points highlighted provide a brief insight into the motivation and importance of performance measurement as perceived by the management.

3.2.3 Technology

TQM and technology are fast becoming essential features of business strategy for the success of many leading organizations in the world. More and more companies are using technology and adapting TQM for sustaining competitiveness in the marketplace (Montes et al. 2003). For banks and financial institutions, information technology (IT) is incredibly important. With so many customers, the institutions must ensure the highest possible levels of reliability and security to ensure that customers’ queries and service requests are dealt with speedily and sensitively.

The emergence of electronic channel as a medium of customer interaction and transaction fulfillment has enabled banks, both globally and in India, to extend the array of services they offer. With these channels offering the potential to complete financial transactions more quickly, accurately and at a lower cost than traditional paper-based methods, banks are looking to
accelerate the use of these channels. While the e-transactions market in India is still nascent, it is clearly moving from potential to reality. Outsourcing has proved to be an effective solution, instead of banks attempting to do it all. Banks have been better served by pursuing partnerships and collaborative outsourcing—with this they have a full-service line without the extra expense of investing into related technology or developing a capability in an area that is not core to their historical focus (Lynch 2004).

Outsourcing arrangement smoothens the entire service process and eliminates the complexity for the bank. A service bureau offers pre-packaged technology and business process management for simple and effective service offerings by banks. Banks not only gain access to best-in-class technology and business processes, but also importantly, are able to offer the service to their customers in an accelerated time frame. Outsourced management enables banks to launch their bill payment services, fully operational with best-in-market capabilities, in weeks rather than months.

A high tech service delivery and customer contact have to be balanced in community banking (Donner and Dudley 1997). Outsourcing the service management to experienced service bureaus offers banks established alliances, leading edge technology, operational efficiencies, and control of processes and assurance of service delivery. Importantly it provides a single, centralized interaction point for the bank and establishes a high degree of standardization for the bank’s activities. Banks do not have to worry about developing the business processes, managing day-to-day operations or multiple bills interactions; instead they simply focus on customer management.
A key advantage to banks from outsourcing is the cost-advantage factor as banks do not have to make large technology investments that would otherwise have been required. Banks are also able to bring down their fixed costs of operating by leveraging the cost structure of the vendor. The business model and cost structures of service bureau companies are better suited to the realities of the new payments environment than that of the traditional players. Outsourcing helps banks to cut down their costs and match up on competitive ability. Advanced technology like ATMs and online operations in financial services have to solve identity problems by resolving inconsistent and ambiguous identity and attribute information into a single file that can be used across multiple data sets, even under circumstances involving deliberate attempts to confuse or misrepresent individual identities.

The operational risk in banks and financial institutions is generally related to the risk of failure of man, machine or the systems to operate as expected. With more and more implementation of Information Technology based systems and procedures, the chances of IT related operational risks have increased unless proper safeguards are implemented (McKinsey 2003). The types of controls required to manage the risks for computerized system are different than those for manual systems. It is, therefore, necessary for the banks to identify the key risks arising from the increased use of computerization and automation in their processes, and implement adequate controls to mitigate those risks.

3.3 TOP MANAGEMENT COMMITMENT

Top Management Commitment has been identified as one of the major determinants of successful TQM implementation. Top management acts as a driver of TQM implementation, creating values, goals, and systems to satisfy customer expectations and to improve an organizational
performance. The clarity of quality goals for an organization determines the effectiveness of the quality efforts. Top management committed to quality must convey the philosophy that quality will receive a higher priority over cost or schedule, and that in the long-run, superior and consistent quality will lead to improvements in cost and delivery performance (Warwood and Roberts 2004). The top management should not only give high priority to quality, but should also demonstrate its quality commitment by providing adequate resources to the implementation of TQM efforts, particularly, considerable investment in human and financial resources. The following is a six-item scale to represent Top Management Commitment to quality:

- Clarity of quality goals for the organization.
- Relative importance given by top management to quality as a strategic issue.
- Relative importance given by top management to quality versus cost.
- Relative importance given by top management to quality versus service schedule.
- Allocation of adequate resources to quality improvement efforts.
- Performance evaluation of managers based on quality.

Lack of management commitment is one of the reasons for the failure of TQM efforts (Brown et al. 1994). Top managers need to demonstrate their commitment through their actions rather than words. Top Management Commitment can positively affect employees’ commitment to TQM and culturally change people involved. If top management views quality as more important than cost, more important than meeting product
schedules, employees’ quality awareness is easily improved. To implement TQM, top managers should be committed to establishing a firm that continually views quality as a primary goal. If the organizational culture does not embody quality, any quality improvement effort is probably shallow and short-lived (Dale 1999, Juran and Gryna 1993). It is very difficult to improve product quality and quality management if top managers do not lead and participate. Quality improvement involves making decisions and creates something that did not exist before. It is not sufficient for top managers to stand on the sidelines and shout “improve product quality and intensify quality management”. There is no way that a manufacturing firm can implement quality improvement activities if the top managers are bystanders. Particularly in a firm with an autocratic general manager, there is a strong trend that employees act on something only in proportion to the manager’s degree of interest. Top management participation is crucial to a firm’s quality improvement efforts; it obviously helps in spreading quality consciousness throughout a firm (Dale 1999, Ikezawa 1993).

Top managers need to improve their managerial abilities through continuous learning. To implement TQM, they must first know what it is. Learning TQM is an important step toward implementing it. Top managers should be modest enough to learn from their employees and value the ability of their creativity. Top managers also need to learn from other organizations’ successful and unsuccessful experiences, as well as modern management methods from foreign firms. Above all, top managers should combine these insights into an approach that fits the specific conditions, problems, and challenges of their own firms. Through top management learning, a learning organization can be established. Finally, the effectiveness of leadership can be improved and the ability of decision-making enhanced (Anderson et al., 1994, Bergman and Klefsjö 1994, Dale 1999, Ikezawa 1993, Juran and Gryna 1993).
Empowerment means giving permission to the employees to unleash, develop, and utilize their skills and knowledge to their fullest potential for the firm. Empowerment has many benefits such as increasing employees’ motivation to reduce mistakes, increasing the opportunity for creativity and innovation, improving employee loyalty, and allowing top and middle management more time for strategic planning. It is necessary to utilize the strategy of moving toward more humanistic management as the specific objective of improving quality management. The masses have boundless creative power. Top management needs to empower employees to solve various problems and should rely on employees wholeheartedly (DuBrin 1995, Juran and Gryna 1993, Kolarik 1995).

Top managers should strongly encourage employee involvement in quality management and improvement activities, attach great importance to employees’ suggestions, take responsibility for employees’ actions as well as those of the people who report to them, and be open and willing to listen to the voices of employees. When TQM is implemented, top managers must have more enthusiasm than their employees. This enthusiasm should be demonstrated by a positive attitude, especially when employees are unwilling. Top managers should trust employees and believe that they can do things better, as well as encourage them to list the firm’s shortcomings and report their own working problems. Such employees should be praised instead of criticized. Top managers should implement TQM, adopting a humanistic approach that considers the value of human existence in a new age (Ikezawa 1993, Kolarik 1995).

Top managers need to act as role models, leading by example. A Chinese proverb states “Example is better than precept”. Employees always look to top managers for a standard of correct behaviour. The manner in
which top managers conduct themselves is more influential than any instructions they may give or any discipline they may impose. Any infringement upon the firm’s rules and values can negatively affect employees’ satisfaction and commitment. It is vital that top managers handle matters impartially and set an example for their employees to follow. Their role model can positively affect employees’ commitment, satisfaction, participation, confidence, initiative, and creativity.

Rust et al. (1995, 1999) proposed the Return on Quality (ROQ) approach to prove that the returns from service quality initiatives will fetch financial benefits to the organization. Top managers should pursue long-term business success instead of short-term benefits. They should focus on product quality first rather than yields. Hasty pursuit of short-term profits, short-term sales, and short-term production often results in quality being relegated to third place behind concerns for costs and delivery time. TQM requires long-term commitment and endurance; there are no quick fixes. TQM implementation requires investment. In return, it can lead to an impressive increase of overall business performance. However, the findings from the ten interviewed firms showed that there are no simple ways to gear the profits. Only after much effort and commitment were the firms able to see the effects of their TQM implementation efforts. Top management must realize that improvement takes time. Things can be improved as TQM implementation continues. A quality strategy requires people and resources. Without the commitment of top management and their willingness to back it up with considerable resources at their disposal, quality improvement will not be possible. Without commitment, it is difficult for working-level employees to obtain the resources they need to deliver quality service. According to Furash (1997), bank management must have three critical characteristics:
• A style of doing business that makes customers feel the bank is something special;

• A management process that is systematic and transferable from region to region, bank to bank, and department to department;

• A management style that also balances individual and unit freedom, creativity, and incentive with central control of risk, quality, and efficiency.

Top Management Commitment is critical in the success of all major initiatives, and more so for TQM as it is an integrated management philosophy that motivates everyone in the organization for Continuous Improvement in the delivery of customer satisfaction. Management indicates their priorities through performance metrics and reward schemes. Appropriate reward schemes can promote quality-oriented behaviour among the IT team. Without Chief Executive Officer's (CEO) commitment, no quality initiative can succeed. Where does this type of Top Management Commitment come from? Many ISO 9000 registered companies find that the commitment comes from some, if not all of the following points.

• Direct marketplace pressure: requirements of crucial customers or parent conglomerates.

• Indirect marketplace pressure: increased quality levels and visibility among competitors.

• Growth ambitions: desire to exploit EC market opportunities.

• Personal belief in the value of quality as a goal and quality systems as a means of reaching that goal.
The critical role of top management is providing leadership (Crane 2008). The importance of leadership to the success of TQM implementation is broadly recognized. Quality service comes from inspired leadership. Employees and managers at all levels look to top executives to set an example and a tone for the rest of the organization. Top management must foster a general awareness that quality improvement will take its place as equal in importance to traditional cost, profit, growth, and sales goals. It is paramount to have a strong, visible leadership for quality focused strategy that has quality at its central point (Flynn et al. 1995) "Leadership is the backbone of quality” as it is for all planned cultural change.

Adopting quality as a bank strategy means cultural change. Change is difficult to accomplish without solid, committed leadership. The bank president and other senior executives set the pace. It is imperative that senior managers in service organizations provide the leadership to focus their company around a set of core values that include customer service and service quality. True and efficient service leadership is critical for building a climate for excellence that preponderates over operational complexities, external market pressures, or any other potential impedance to quality service that might exist (Zeithaml et al. 1990). In the following, we identify and discuss seven leadership functions for TQM implementation. To do so, we need to refer to the evolutionary changes in the concept of organizations. Ackoff (1981) has discussed these changes in his book ‘Creating the Corporate Future’.

The process we refer to is the interactive planning process developed by Ackoff (1972) and his associates. In most traditional planning
processes, strategic planning stops at a rather high level. The strengths of the interactive planning process lie in the following aspects:

- Creating a “Shared” Mission and Vision (among all employees of institution).
- Managing the interaction among employees is carried out by diagnostics and monitoring.
- Managing of teams.
- Empowering people (giving people at lower levels more authority and educating them).
- Mobilization of employees.
- Creating a Learning organization
- Designing a phase-in strategy (the orientation phase, the empowerment phase, and the alignment phase)

An extensive list of what leadership means to TQM has been offered above and a CEO is expected to consider all the above functions for successful implementation of TQM. The word ‘enthusiasm’ comes from Greek and means God within (entheos). It refers to a divine spark or fire that burns within the breast of those with a passion for a cause, job, or life in general. "Building Employee Enthusiasm" provides a stepping-stone for achieving a better overall success rate within various organizations. “Enthusiasm,” according to Henry Ford (1916), “is the yeast that makes your hopes shines to the stars. Enthusiasm is the sparkle in your eyes, the swing in your gait. The grip of your hand, the irresistible surge of will and energy to execute your ideas.” When managers are enthusiastic about TQM, in the workplace, they inspire others and gain their cooperation. Enthusiasm will not only make more productive, but it will lighten burdens and make obstacles
easier to overcome. One will have the energy to succeed in implementation of TQM.

Internal communication is considered a vital tool for binding an organization, enhancing employee morale, promoting transparency and reducing attrition. Ironically, while everybody understands and talks about the significance of internal communication, very few are able to manage it efficiently. When Deloitte and Touche Human Capital (2004) conducted a survey among CEOs who were asked which HR issues were very important to the success of the organization, 95 percent of them said effective internal communication. Simultaneously, only 22 percent agreed that they thought it was being delivered effective. However, in recent times institutions have begun to realize the significance of their internal customers. Besides having effective internal communication, it is critical to have an efficient delivery mechanism. There have been several instances where internal communication failed as the delivery mechanism for it was not perfectly ‘oiled. It is well-known that the root cause of most internal problems being faced by an institution often stems from ineffective communication. In high-context cultures like India, the delivery of the message is as important as the message itself. Communication is not a language, but it involves trust, relationships, control and delegation. It also creates motivation within the organization. Successful organizations build this loyalty through effective internal communication. Internal communication helps in raising the morale and motivation of employees, and thus increases productivity. Internal communication also helps stimulate much-needed feedback from employees to top management.
Deshmukh (2005) lists the following reasons why internal communication is so important for an organization:

- It provides information and encourages sharing by driving and supporting the organization’s short-term and long-term goals and objectives.
- It ensures that these initiatives are implemented and followed at a local level.
- It ensures that knowledge-sharing and communication processes are part of the daily workflow across all functions of the business.
- It helps drive ownership and shared engagement.

Internal communication should take place as a series of steps and not as an isolated event. Well-planned and delivered internal communication can drive the culture in an organization. While formulating internal communication strategy, the following factors should be taken care of:

- The purpose should be clear.
- The timing and medium are important.
- Language must be used carefully.
- The tools of communication should be effective.
- When people are vulnerable, their tolerance for ambiguity decreases, so they need to be told clearly to feel secure.
- Communication has to be supported by action.
Those organizations which have understood the significance of internal communication encourage employee feedback to continuously improve the process.

Geary (1993) described that as the union members strongly believe that the TQM initiatives would pose a potential threat to the very functioning and influence of workplace unions, such quality improvement efforts are opposed vehemently. Responsible unions help to create a middle path in the relationship between management and employees while maintaining the responsibilities of the former and the dignity of the latter. Oakland (1993) reported evidence from the USA suggesting a high positive correlation between the involvement of unions in the TQM effort and the performance upshots. Managements have to become more sensitive and skilled in handling relationships with employee’s trade unions. The legitimate demands of employees in compensation need to be met by the management through negotiations so that employees are motivated and committed to implement TQM effectively. Trade unions can take responsibility for quality and can help to create an environment conducive for employee participation (Rao et al. 1996)

The culture enables people in organization to espouse a common vision of the organization and its goals, thereby ensuring the seamlessness of processes that contribute to service preeminence (Schneider and Bowen 1995). The TQM implementation stage emphasizes the championing of higher culture practices so that appropriate levels of "rational cooperation" are comfortably developed and maintained. Information sharing and ethics and culture practices are integrated so that people can get the same information and make the same quality decisions with less physical and psychological effort, and know what they can expect from the system in return. It is significant to create a managerial climate and culture that focuses on quality
performance, since employees behave as they perceive, or they are expected to obey their superiors (Wheelwright 1981). In this stage the focus is on reducing frustration, firefighting, gutter fighting, and negative competition, and maximizing satisfaction and trust for all participants so the organization can fundamentally advance its journey with a maximum of internal cooperation.

Development and establishment of a work force with positive work attitudes, including loyalty to the organization, pride in work, a shared vision on common organizational goals and the ability to work with from other departments facilitates team work and flexibility (Huber and Brown, 1991). The TQM implementation stage emphasizes ethics and culture as much as its technical quality, and there is a shared intuitive awareness at all levels that cultural excellence and technical process capability are dependent on each other. A new management approved and employee concurred culture would facilitate to provide a control mechanism in its own right (Hales 1993). Quality management is integrated into each process so it can be performed in normal time with normal effort. Employee satisfaction is healthy, and the culture is capable of ramping up and supporting initiatives that matter the most to the organization, its participants and stakeholders. Attributes of service quality, viz., reliability, responsiveness, empathy, and assurance, have been four of the five factors upon which customers’ perception of service quality is based (Parasuraman et al. 1988). Most importantly, the organization is able to sustain its improvement trend and accomplish its strategic objectives. When organizations attempt to advance quality without advancing ethics and culture, they are spinning their wheels only to wonder later why quality initiatives did not often work as well as expected.

Whether by intention or by default, management is solely responsible for the culture conceived in the minds of employees, which in the
end ascertains how successful an organization will be (Schneider et al. 1994). Culture is closely related to an organization's available human energy and it is Quality Improvement Journey (rate of sustained improvement). It is the operating culture, or the collective effort, that decides whether or how TQM implementation succeeds or fails in varying degrees.

A study revealed only supportive organizational culture is the common denominator of all the “soft” aspects of TQM (Atkinson 1990, Coulson-Thomas 1992, Grant et al 1994, Sousa-Poza et al 2001, Van Donk and Sanders 1993). In other words, quality culture binds together all of aforementioned TQM concepts. As Hill (1991a) points out it nurtures high-trust social relationships, and it develops a shared sense of membership as well as a belief that Continuous Improvement is for the good of everyone within the organization.

Similarly Tang et al. (2000) argue that organizational culture affects and alters employees’ actions and perceptions of all aspects of their work in order to include quality. In addition, Lewis (1996) support the view that culture acts as a force for cohesion in organizations and therefore can support or inhibit the process of change towards TQM application. In exploring the concept of TQM we can identify two major components: the “what” and the “how” of TQM (Goetsch and Davis 1994). As the component of “what” diverges in almost every single study and textbook, the “how” component distinguishes TQM from other quality management approaches and includes basic principles that are generally accepted. These principles and concepts comprise the “soft” side of the TQM approach Nevertheless, as Wilkinson et al. (1993) argue that the TQM gurus focused on the “hard” side of TQM by emphasizing the importance of statistics and operations in the quality assurance process within organizations. In this respect, TQM is a whole management theory that includes both “hard” and “soft” aspects. The
question that rises, however, is whether managers are equally aware of both sides of it. The extant literature consists of a few qualitative studies that have examined managers’ attitudes towards TQM (Brennan 1991, Hill 1991b, 1995, Tsiotras and Gotzamani 1996).

Particular interest on the awareness and perceptions of managers on TQM is related to middle management level (Dopson et al. 1992, Institute of Personnel Management 1993, Vouzas 1997, Wilkinson 1994). Ishikawa (1985) considers middle managers to be the key people in quality management and the key players in breaking the status quo. Collard (1989), on the other hand, found that in order for middle managers to be role models in a TQM environment they need to upgrade their communication and presentation skills, skills for working with groups, and group leadership skills.

Within the context of TQM, teamwork is an important outcome and a condition for Continuous Improvement (Coyle-Shapiro 1997). Teams are generally viewed as more powerful and effective work entities than individuals. Teams, according to Lawler, should be catholic, including employees from all the hierarchical levels, layers, and from all the departments of the enterprise. Scholtes (1992) argues that teams are needed for all organizations in order to make them work more flexibly and to develop mutual trust among members. In traditional management approaches each department needs to take care of its own problems. In a TQM context the whole organization needs to care about quality improvement and not just in a departmentalized way. In this respect, organizations need cross-functional teams that will deal with inter-departmental management problems.

Service quality has been viewed as a multi-dimensional construct and Parasuraman et al. (1988) have conceptualized a five dimensional model. The five dimensions are reliability, responsiveness, empathy, assurance and
tangibility. Their measurement instrument SERVQUAL is based on the five dimensional model. Gronroos (1982) had identified two service quality dimensions - functional quality and technical quality. Functional quality represents the perception of the manner in which the service is delivered. Technical quality, on the other hand, represents the outcome of the service act or what the customer receives in the end. Brady and Cronin (2001) term it as outcome quality. The five dimensional model of Parasuraman et al. (1985) which has become almost the standard way of measuring service quality, captures the functional quality.

In the business environments where the competition is at the augmented product level, it would be pertinent to know the relative strengths of industry specific aspects of “what is offered” versus “how it is offered”. There is more attention on the functional service quality, particularly in the more developed economies. But many products and services in the emerging markets compete at their expected product levels (Kotler 2003). In some industries, the competition is at the basic product levels or core benefits. Market differentiation can be achieved through the way products and services are delivered; creating satisfying customer experiences about the company, employees and the delivery process; but this may not create the necessary competitive advantage for growth.

There is a forgotten process in modern quality management that is preventing many companies from reaching their full potential for improvement – and that is the decision making process. Some decisions have clear consequences or dramatic impacts on an organization’s bottom line, but there are untold numbers of other decisions that are made every working day by every employee that are absolutely critical to company performance (Mawby 2004). Managers are constantly called upon to make decisions in order to solve problems and meet customers’ needs. Decision making and
problem solving are ongoing processes of evaluating situations or problems, considering alternatives, making choices, and following them up with the necessary actions. Sometimes the decision-making process is extremely short, and mental reflection is essentially instantaneous. In other situations, the process can drag on for weeks or even months. The entire decision-making process is dependent upon the right information being available to the right people at the right times (Gray 2005).

All managers want to make the best decisions. To do so, managers need to have the ideal resources — information, time, personnel, equipment, and supplies — and identify any limiting factors. Realistically, managers operate in an environment that normally does not provide ideal resources. For example, they may lack the proper budget or may not have the most accurate information or any extra time. So, they must choose to satisfy — to make the best decision possible with the information, resources, and time available (Heller 1999).

Institutions have to establish partnering arrangements with their suppliers for the purpose of improving the quality of their service. The actual benefits achieved from firm's partnering arrangement with supplier are both productivity and quality. Suppliers are a major part of team. Suppliers are an extension of enterprise. As a business partner, suppliers are to be asked to join with the institution so that institution reshapes its thinking and restructure how it works. This satisfies the customers with first-time quality, on-time, at the lowest possible cost. The institutions should convert the mindset of existing employees to fit into TQM philosophy to prepare them to face global competition and get employees at the lowest level who could fit straightway into the existing work culture in the organization (Martin 1993).
In today’s globalized environment with global competition, the only way to survive is by producing world-class products for which we need world-class employees. Banks and financial institutions are required to create a high level partnership between those who provide internal service and those who deliver external service. "The support level of back office is absolutely critical to the job being done at the front line," TQM works like this - "Internal service quality leads to employee satisfaction, which leads to employee retention," "Employee retention leads to external quality service, which leads to customer satisfaction, which in turn leads to customer retention and greater profitability (Swiss 1992).

3.4 ORGANIZATIONAL STRUCTURE

Traditional hierarchical structure clearly defines each employee’s role within the organisation and defines the nature of their relationship with other employees. Hierarchical organisations are often tall with narrow spans of control, which gets wider as we move down the structure. They are often centralised with the most important decisions being taken by senior management.

Managerial work is largely defined by the characteristics of the organization and its setting, including the organization structure (e.g., Whitley 1989, Stewart 1976). Managers at different organizational levels differ in authority and task responsibilities (Mintzberg 1973, Hoffman and Zaki 1995). The varying task requirements at each management level suggest differences in information needs and communication processes. A generally and widely accepted delineation of managerial levels within organizational hierarchies (Katz 1974, Wheelen et al. 1991) is that of top, middle, and lower levels. Strategic management theory (Hambrick and Mason 1984) defines top management as the chief executive and those managers reporting directly to
that individual. However, there is little agreement on what constitutes middle management. Based on Floyd and Wooldridge (1994), we define middle management as the level of managers who interface between top management and the rest of the organization to coordinate activities and execute strategy. The lower levels (Manev and Stevenson 2001) represent the remaining management levels usually responsible for guiding specific functional departments or units.

Managers at these three hierarchical levels differ in authority, skills required, and tasks performed. For example, at lower levels, decisions and agendas are narrow and usually deal with immediate operating problems (Ronald 1982). At top levels, the decisions are about strategy and resource allocation, and the managerial agendas involve coordinating work with colleagues (Kotter 1982, Wheelen et al. 1991). The differences in managerial skill requirements and tasks at different hierarchical levels suggest differences in information needs and uses.

The top management level included the president and all managers who reported directly to that position. Middle level managers were those managers who were two levels below the president, while lower level managers were all managers below the middle level. In designing a user friendly system not only must the hierarchical level of the manager be considered but also the relative status of the receiver of managerial communications. Moreover, these hierarchical design considerations must be tailored depending on the size of the firm.

In the twentieth century as organisations grow bigger, hierarchical organisations were popular because they could ensure command and control of the organisation. The levels should be just adequate for an effective control and supervision (Johnson 1988). However, with the advent of globalisation
and widespread use of technology, in the 1990’s, tall hierarchical organisations began to downsize the hierarchical levels and also reduce their workforce.

The re-organization of control hypothesis suggests that whilst TQM gives greater autonomy to people in lower hierarchical levels. There are, however, clear relationships between employees' positions within occupational hierarchies and their levels of control over their work. Organizational power resides primarily in Organizational Structures. Depending on functional requirements, adaptation to efficient and effective Organizational Structure is necessary (Emison 2004).

3.5 HUMAN RESOURCES

Objective qualifications are necessary but prove to be insufficient at times. While hiring, employers focus on objective factors like hard and soft skills. The best way to gauge an applicant's interpersonal strengths is through the interview process itself. Interviews tend to focus on the applicant’s past work experience and existing technical skills. Individuals are more than a collection of technical skills and degrees (Siegel 1996). A training program for new recruits should comprise traditional induction training and continuing education programs to be effective. Induction training outlines performance expectations and skills required. It gives a better understanding of the job and its relevance to the organization.

New recruits should be given detailed information and substantial knowledge of the organization to enhance their performance. Continuing education should be an ongoing responsibility of managers. Employees can thereby keep abreast of current procedures, policies and technology (David Goss 1993). Employees retain only 40 percent of what is learnt in initial
training sessions. Hence, a constant effort is required to refresh employee knowledge and skills. The program could be either formal or informal.

An effective training program should teach both the skills but not to the same employees (Johnson et al 1996). The program should also cover mediation techniques. An employee communication-enhancing program is a vital for conflict resolution training. The focus should be on training employees to effectively listen and communicate their needs. Employee cross training helps managers to circumvent stagnation, improve motivation and rejuvenate departments. Human Performance Appraisal and Assessment is a systematic combination of three fundamental processes.

This involves examining an organization’s performance requirements based on its objectives and capabilities. The purpose is to identify the current and anticipated deficits in employee performance and competencies. It involves a comparison of two different performance states of the employees: (Scholtes and Peter 1993). Successful implementation of human performance appraisal and assessment is realized only if there is acceptance at all the organization levels and the entire organization is part of the improvement program (Carson et al. 1992). Initiatives must be taken to facilitate employees to adopt new systems, processes or technology to constructively support the cause and realize true organizational success.

TQM calls for a change of culture that requires employee involvement at all levels and a spirit of teamwork among all the stakeholders in corporations. Employee involvement, participation, and empowerment form the cornerstones of TQM. Involvement implies interaction between individuals, groups, and teams. However, managers who are used to a paternalistic and dictatorial mode of management will have difficulty in making TQM work.
Empowerment, the most important concept in TQM, is many things, since employees must be empowered to make the necessary organizational changes (Stevens and David 1993). The concept of empowerment is based upon the belief that employees need the organization as much as the organization needs them and that leaders understand that employees are the most valuable asset in the firm.

Participative management has become a key word in empowerment. Research has shown that there is a positive link between participation and satisfaction, motivation and performance (Holander and Offerman 1990). "The self-managed work team is a new way of viewing the relationship of the worker-management-organization" (Keighley and Trecor 1993). Employee involvement teams, which consist of small groups of employees who work on solving specific problems related to quality and productivity, represent one way of participative management. Such teams have proved effective in resolving problems related to productivity and quality as well as improved employee morale and job satisfaction (Bartol and Martin 1991).

Whatever the definition is, participative management requires responsibility and thrust to employees. It is important that management recognizes the potential of employees to identify and to derive corrective actions to quality problems (Stevens and David 1993). Choi and Valikangas (2001) argue that TQM is an important tool, but it cannot create sustainable value unless coupled with more innovative and forward-looking strategies. The changing external environment for organizations, characterized by strong competition especially from huge conventional banks moving into Islamic finance, technological changes such as the introduction of online services, and pressures for globalization demands a focus on creativity and innovation.
Creativity is the thinking process that helps to generate ideas (Majaro 1992). Innovation, as distinct from creativity, is concerned with the intentional and applied adoption of new ideas and therefore, is focused on the practical application of ideas (Forrester 2000).

Many studies have demonstrated a positive and direct relationship between innovation and performance (Damanpour et al. 1989, Khan and Manopichetwattana 1989). In the banking industry, research on commercial banks in the USA suggests that both innovation speed and innovation magnitude have beneficial effects on an institution's financial performance (Shanthi 2000).

Innovation speed indicates a firm’s quickness to adopt a product or a process relative to its competitors within the industry (Rogers 1983). Innovation magnitude represents the number of innovations that an organization adopts from an available pool of innovations (Dewar and Dutton 1986) and therefore reflects the breadth of innovation in the firm (Shanthi 2000). A focus on innovation means knowledge-based competition. This implies the development of firm-specific resources and capabilities that are difficult for competitors to imitate (Chen 1997). These resources and capabilities can be grounded in the implementation of total quality management approaches.

Von Krogh (1998) proposes that an incentive system should reward the contribution to knowledge creation in the organization, including participation in mentoring programs. An incentive system depends on measurement that in turn should be based on internal and external benchmarks. Internal benchmarks are based on the institution's historical performance and future plans with respect to innovative activity (for example, the speed and magnitude of innovation) and external benchmarks are based on
competitors' achievements. Objectives should be provided for each employee and/or employee team. A culturally-adapted rewards and recognition system should be implemented that motivates and encourages employees but also challenges them. Shanthi (2000) suggests that one way of creating a culture of innovativeness is to adopt an extensive number of innovations.

3.6 TANGIBLES

Parasuraman et al. (1991) have researched physical appearance of building, comfort; equipment are determinants of service quality. Amount and suitability of building space directly affect the scope and quality of services provided. Buildings consume most of an institution's capital budget and a significant portion of its annual operating revenues. Inappropriate facilities can increase the consumption of scarce resources and reduce the resources available for direct program delivery. Acquisition of any capital assets represents a major commitment of current and projected resources. Decisions to construct or acquire new buildings represent a major, long-term financial commitment and will affect program offerings for a significant period of time. Gronroos (1988) added a sixth criterion, recovery, which refers to the ability of an organization to rectify aspects of their services that have caused dissatisfaction to customers. Buildings are highly visible components of an institution. Architectural design, construction quality, building usage, campus accessibility, and maintenance standards play a significant role in creating the amenable environment for quality services.

Today's banks need to optimize all of the customer channels and strike a balance between electronic banking and in-person service. Reinvigorating and optimizing information systems can help banks meet compliance, boost customer service and stay competitive — while simultaneously helping to optimize all customer channels. The evolution of
Electronic banking such as internet banking from e-commerce has altered the nature of personal-customer banking relationships and has many advantages over traditional banking delivery channels. This includes an increased customer base, cost savings, mass customization and product innovation, marketing and communications, development of non-core businesses and the offering of services regardless of geographic area and time (Giannakoudi 1999).

IT plays a major role in banking – and it will even gain increasing importance in the future. The number of bank outlets is decreasing, e.g., while the number of electronic cash transactions is still growing. Automated teller machines, computer hardware and software, currency counting machines, safes and other electronic bank equipment play an important role in delivering quality services to customers in banks and financial institution. Technological developments in the banking industry have speeded up communication and transactions for customers (Giannakoudi 1999). Furthermore, paper checks are gradually being supplemented with electronic images, permitting greater storage capacity, reducing costs and improving customer services (Rose and Hudgins 2005). The information technology revolution in the banking industry distribution channels began in the early 1970s, with the introduction of the credit card, the Automatic Teller Machine (ATM) and the ATM networks. This was followed by telephone banking, cable television banking in the 1980s, and the progress of Personal Computer (PC) banking in the late 1980s and in the early 1990s (Giannakoudi 1999).

Communication cultivates the bank's relationships with its various outside audiences. It maintains contact with customers, government representatives, members of professional associations, and students, to name a few. It provides support to customers, public presentations and media events. Public Affairs Departments in banks and financial institutions also provide
current and historical information on interest rates, exchange rates, and other financial market statistics. Services marketing literature is essential, according to Bitner et al. (2000).

Publishing plays a key role in achieving the bank's business and policy objectives by providing the facilities and expertise required to produce and distribute the bank's major external publications, including the Annual Report, technical reports, conference proceedings and information brochures in print and in electronic format. The websites of banks and financial institutions have to provide details of their services, products, various interactive calculators, lookup tools, materials, glossary daily, historical market statistics, and numerous other reference resources. Botner (1986) and Baker (1987) examined the impact of service scapes on employees and found that the tangible aspects of service impact the employees and alter their work behaviors. Banks and financial institutions have to see that employees present themselves to achieve excellence in service delivery.

- Inspire employees to maintain “Service Excellence” on a daily basis
- Keep employees emotionally connected
- Reveal “Performance Techniques” for any vocation
- Bring the principles of “Showmanship” into the workplace
- Create a happy work environment

A proper training has to be imparted in employees for their successful presentation in their respective fields. A fine training is emotionally driven as well as data driven. These full and half day sessions get people up on their feet expressing themselves in a new way. A training day
has to be customized which will include humor, story telling, improvisation and techniques for sounding as if your giving every presentation for the first time instead of the hundredth. Employee’s gender differences also affect customers' perceptions of service quality dimensions such as effectiveness and assurance, access, price, tangibles, service portfolio, and reliability. Employees’ presentation should be according to the service expectations of the customers in the following dimensions, viz., reliability, responsiveness, assurance, empathy and tangibles of service (Parasuraman et al. 1988).

3.7 SYSTEMS AND PROCESSES

Systems and Processes consist of cost of quality, control of process, reliability of services and rationalization. According to Dale and Plunkett (1995), quality costs are the costs incurred in the design, implementation, operation and maintenance of a quality management system, the cost of resources committed to Continuous Improvement, the costs of system, product and service failures, and all other necessary costs and non-value added activities required to achieve a quality product or service. The investment in prevention and appraisal activities will reduce failure costs, and that further investment in prevention activities will reduce appraisal costs (Porter and Rayner 1992, Plunkett and Dale 1987).

The use of a process cost model is suggested as a preferred method for quality costing within TQM as it recognizes the importance of process cost measurement and ownership, and presents a more integrated approach to quality (Porter and Rayner 1992). According to Tatikonda and Tatikonda (1996) and Morse (1991), even though most managers claim that quality is their top priority, only a small number of them really measure the results of quality improvement programs.
Prevention is an easy concept to understand, but very difficult to put into practice. Prevention is causing something not to happen. Smith (1995) explained that understanding, control and redesign of business processes are imperative for expeditious business improvement. If the sequence of processes is made efficient and effective, then ensuing products or services will also be efficient and effective, and will mollify the external customer (Speneley 1994). Process control and management focuses on effectively managing the process so as to ensure that the process operates as expected, without hiccups, resulting in smooth operations, despite work force variability (Flynn et al. 1994). Schewart (1931) accentuated the importance of methodologically controlling processes in his statistical theories of process variation. Tools aimed at better management and control of processes, like the 7 new quality tools (Mizuno 1988), techniques for improving process, product and service designs (Taquchi 1979) and approaches such as Quality Function Deployment (Akao 1990) have all contributed to blossoming of process management as a strategic management approach.

The service delivery processes should be perfectly streamlined, standardized and simplified so that the customers could receive the service without any hassles, hiccups or unwanted questioning by the staff. Milakovich (1995) observed that the key to TQS relies on using the process as a means to transfer knowledge thereby responding to the customers faster than the competitors. Enhancement of technological capability (e.g. computerization, networking of operations, etc.) plays a crucial role in streamlining the services delivery. The institutions should conduct quality assurance activities that firmly ensure Quality and Reliability. Inadequate internal controls affect quality and reliability of services.
3.8 CONTINUOUS IMPROVEMENT

A “benchmark” is a reference or measurement standard used for comparison. “Benchmarking” is the continuous activity of identifying, understanding and adapting best practice and processes that will lead to superior performance. Benchmarking provides the conceptual framework that integrates best practice and performance indicators, a vital component of the quality-assurance system (Cuttance and Peter 1994). Smith (1995) explained that the boundaries of benchmarking should be extended beyond the useful management actions of networking, competitive analysis and corporate learning initiatives such as study tours, travel missions, and listening posts. Ahire et al (1996) argued that proficient maneuver of quality of products or services and internal processes without losing grip on the external factors, such as competition requires prudent use of benchmarking. The sensational evidence from leading companies around the globe demonstrates that any organization wishing to compete in the international arena needs to benchmark (Prabhu et al 2000)

Quality plays a vital role in building sound economy and assured profitability in any industrial organization (Dutta 1989). One of the reasons service firms have been particularly hard hit stems from their overall lack of competitiveness. In the past, growth in demand for services was so strong; it gave the impression that service industries were "recession proof" (Schlesinger and Heskett 1991). Continuous Process Improvement is the accepted methodology for improving businesses. The principal quality systems - TQM, ISO 9000, are all focused on Systems and Processes (Wilkinson and Dale 2002). The greatest Value (return for invested effort) from any quality system is obtained when the processes being improved align with the strategic and financial plans for the business. Value Analysis techniques are used to quantify cost and productivity issues. A philosophy of
Continuous Improvement enables a service firm to cultivate "a process-oriented way of thinking and developing strategies that assure Continuous Improvement involving people at all levels of the organizational hierarchy" (Imai 1986).

Cost and productivity also need to be evaluated periodically. New processes, new scheduling techniques to accommodate volume and product mix changes, etc. may make cost and productivity improvements possible. Therefore, a Continuous Improvement system that not only resolves quality problems but also evaluates potential cost and productivity improvements is desired. Economic planning and periodical cost review are required in the process of Continuous Improvement. Without aligning the perceptions of service quality, it is unlikely that the service organization can properly focus its Continuous Improvement efforts (Kloppenborg and Gourdin 1992).

According to McConnell (1991), it is possible to remove some of the destructive effects of individual-based incentives by understanding the systems (or process) approach and then keeping the pay systems dynamic through continual improvement.

3.9 CUSTOMER FOCUS

3.9.1 Customer Satisfaction

Tenner and DeToro (1992) suggest that TQM is a basic business strategy to provide goods and services that completely satisfy the customers by utilizing the employees' talents while providing a positive financial return to the shareholders. As institution’s customer base grows it is imperative that institutions maintain the same level of service that institution provided when it first earned customer's business. Institutions have to anticipate customers’
needs before institutions announce them, and put those actions in place. To obtain an advantage in the market, firms increasingly compete on four characteristics simultaneously - quality, price, delivery and flexibility (DeMeyer et al, 1989). Meeting these expectations will cement institutions’ relationships, increase customer satisfaction, and retain institutions’ business. There are six customer expectations which are the cornerstones of outstanding service and increased business namely solid information, options, single source service, superior communication, consulting, seamless relationship. The customer is the one who determines the level of quality delivered. Improvement efforts that do not identify customer satisfaction as their primary objective fail the basic litmus test of quality. If there is no perceived increase in value to the customer, there has been no quality improvement.

The centerpiece of TQM is Customer Focus. TQM manifests that understanding and fulfilling the expectations of customers is the best and only lasting means for the success of a business (Shiba et al 1993). A company, that is driven by customer needs and wants and provides value to its customers that competitors do not provide, has competitive advantages over its competitors in the market place (Dean and Evans 1994). Although Customer Focus is commonly accepted as the most important element of TQM (Jablonki 1992, Parasuraman et al 1985, Robson 1993), it is considered as one of the key factors for competitiveness in the global market. However, in Hong Kong, there has been little literature available on TQM, Customer Focus and competitive advantages of the financial institutions.

Whether the customers are retail consumers or companies, they are the lifeblood of any organization. "Customer Focus" in the public sector is about refocusing services around the needs of the citizen as a customer of public services, rather than the problems of those who provide the services. It signifies an organizational culture that aims to address the needs, expectations
and behaviours of the public, and then adjusts every aspect of the organization to align with customer values. This includes the entire delivery chain from policy-making through front-line services - including strategy, organizational design, business processes, performance measures, information systems and support processes. Without customers, a firm has no revenues, no profits and no market value (Gupta and Lehmann 2005). Treacy and Wiersema (1997) have suggested that e-commerce can transform organizations into “customer intimacy” discipline delivering not what the market wants but what specific customers want. The customer-intimate company conducts business by knowing the people it sells to and the products and services they need to allow them to offer the best value proposition solution for customers with the intention of cultivating relationships in order to garner business opportunities. Thus their asset is customer loyalty (Treacy and Wiersma 1997). The ultimate success of e-commerce depends on how customer perceives its value (Torkzadeh and Dhillon 2003).

While every audience is unique, firms should tailor their marketing and communication in a way that connects consumers to their business. Internet provides a medium for firms to share customized and rich information on a real time basis in an interactive environment (Barua et al. 2001). Customer satisfaction should be made the goal and ultimate measure of service quality (Milakovich 1995).

3.9.2 Customer Retention

With heavy competition, the financial institutions have to be aware of the current market trends and must keep informing their clients about their latest service or products to make sure that their clients use them. Relationship marketing is concerned with how organizations in financial services manage and improve their relationships with customers for long-term
profitability. Customer relationship management (CRM), which is becoming a topic of increasing importance in marketing, is concerned with using information technology (IT) in implementing relationship marketing strategies (Ryals and Payne 2001). Independent, third-party assessment and certification of the institution’s complaints management system demonstrates to interested parties and the wider market that the institution has a real commitment to managing customer care issues and processes are in place to handle complaints. The main benefit here is Customer retention.

It costs an organization at least four times as much to recruit a new customer as to maintain an existing one. Organizations that regularly lose customers struggle to repair their damaged reputations. In today’s competitive environment, product and service innovations are re-defining accepted levels of performance. A good Complaints Management System is one of the crucial requirements for successful businesses when managing customers’ needs and protecting their brand. The Customer Satisfaction standard, ISO 10002:2004 – the guideline standard for implementing a complaints management system – helps organizations to identify, manage and understand how successfully they deal with their customers’ complaints. The standard specifies the key requirements for handling customer complaints successfully and includes management controls to address customer dissatisfaction within any business.

3.9.3 Customer Addition

Financial Institutions increasingly have to behave like multi-channel retail merchants by focusing on ways to expand into new markets, gain customers, keep them and maximize the profitability of each relationship. Banks and financial institutions can increase their customer base by offering various loan products like Consumer loans, business loans, industry loans,
real-estate loans etc., to customers who prove to be credit worthy and by offering better rate of return to investors (Madura 1998).

Organic growth is a well known concept in banking and finance industry. It has become the most viable option for those who simply cannot afford a costly expansionary strategy. Many industry professionals understand organic growth to be that which comes from deepening relationships with current customers; others extend that definition to include acquisition of new customers from within an existing branch footprint. In either case organic growth is generated without expanding an institution’s delivery network (Brady Walen 2004). The details of an organic growth strategy will vary between institutions and markets; banks and credit unions looking to grow organically. They must consider three distinct but interconnected elements critical to success:

- the level of information and understanding about current customers and the capability to deepen relationships with them;
- the ability to identify and prioritize market opportunities; and
- the willingness to adopt a differentiated brand position

### 3.10 CONCLUSION

Eight critical success factors relating to TQM implementation have been identified through an extensive literature survey. All these eight variables have been discussed fully in this chapter. The characteristics of each variable have been analyzed using previous research work. Based on this information, operating elements for each variable have been designed for the purpose of constructing the measuring instrument. Design of questionnaire, testing and validation of the same are discussed in the next chapter.