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TQM IN PUBLIC SECTOR BANKS

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Abstract

*The need of the 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 rather than satisfy 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. Most bankers would like to believe that they are in the finance industry and not in the service Industry. Thus they tend to compete in terms of financial powers rather than service quality. Total quality management, which is about **total customer service and continuous customer satisfaction,** is applicable not only to the manufacturing industry but also to the service sector where the customer is just as important. Services are where the future is. It has been witnessed in the most developed countries of the world that service sector has come to occupy the top position in their economies. **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 the customer happy. The public sector banks must weed out potential bugs and build delight in their delivery to customers. Customer's decision to patronize one and not the other is based on quality service offered to him. Banks, therefore, prosper or decline, depending upon the quality of service they provide to their customers.*

Introduction

The lifeblood of any business is its customers. In short, quality determined profits and **customers alone define and determine what that quality is and should be**. The banking industry, often the biggest service industry in any country, stands to benefit from TQM for one basic reason that banks depend on customer satisfaction and loyalty for their survival. But ironically, very few really pay much attention to the plight of their clients **before, during and after sales.** Most people in banks generally perceive quality as a means of increasing their business, attracting more customers, gaining an edge over competitors, enhancing the image of the organization and increasing their credit-worthiness in the market. Amidst all the official jargon of self-praise, the customer needs, considerations and grievances seem to be totally lost. With respect to TQM in banks, the **attitude of employees** is also important. The set of values and beliefs and way of doing things, the hirer-hire relationships, the job involvement and sincerity towards corporate objectives at all levels, contribute to the attitude of the staff towards customers.

Banks have to maintain image, reputation, and credibility in order to do their job as custodians of other people's money. Total Quality Management (TQM), which is about total customer service and continuous customer satisfaction, is applicable not only to the manufacturing industry but also to the service sector as well, where the customer is just as important.

The importance of understanding the service dimension of each sector is so important as it forms the basis of evaluation of the service itself. If the service provider understands clients' evaluation criteria and implements them, then the efficiency level goes up and the customer satisfaction increases in the process. “Marketing can be thought of as a bucket and marketing activities like planning and communication bring business that pours into the mouth of the bucket. However there is one problem and that is, there is a hole in the bucket. When all the service procedures are in line, then the hole is insignificant and very few customers are lost. When service standards drop, the customer dropout is more than the capacity to fill it back. This leads to decline in business revenue. **The idea is to fill the hole by increasing service standards”.**

TQM ESSENCE

Each word of TQM explains a certain aspect of TQM, Total: Everyone linked with the operations is involved in continuous improvement (including its customers and suppliers, if feasible); Quality: Customers’ expressed and implied requirements are met fully; and Management: Executives are fully committed. In the service industry, customers are more sensitive to service quality and service delivery than in manufacturing because they are always in contact with front-line service personnel as against 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. The banking industry, often the biggest service industry in any country, stands to benefit from TQM. For one basic reason, banks depend on customer satisfaction and loyalty for their survival. But ironically, very few really pay much attention to the plight of their clients — before, during, and after sales.

The Right Steps to Quality

Renet Domingo suggests seven steps for the successful implementation of TQM.

1. **Embrace a single quality philosophy –** Management and employees should first be 100% convinced why the company has to achieve total quality. The corporate wide orientation should set the same standards of customer service for everybody and let everybody realize the disastrous effect of lost customers due to bad quality.
2. **Management should lead and show quality leadership-** Management should model the way by showing the personal examples in thought, word and deed actuations. Deming, the American Quality Guru, says that there is “no substitute for quality”.
3. **Change or modify all systems and structures to suit total quality objectives.-** The management should review all policies to make it easy for workers to do a quality job.
4. **Train and empower all employees. –** Training is the preparatory step in which employees are given trust, responsibility and authority to voluntarily organize themselves into self-managing team. This self-moniotoring team is what we call Quality Circles.
5. **Employees’ behavior will change –** The trained and empowered employees will gradually show quality- oriented behavior and start to develop good working habits.
6. **Employees develop total quality attitudes** – Employees start to understand and appreciate why they always have to do their jobs right the first time, why it is good not only for them but also for the company.
7. **A total quality corporate culture develops**.- The TQ attitudes develop over a period of time and spread to more and more employees and finally to all employees.

If TQ is genuinely achieved,

1. Employees will become loyal to company and equate corporate success with personal success.
2. Employees will perform quality work because they believe in quality.
3. Employees will organize themselves voluntarily to do process improvement, without management intervention.
4. They will give and volunteer numerous cost- saving and waste- reducing suggestions to management without expecting awards or compensation.

   Employees' turnover, absenteeism and strikes will be greatly diminished, if not eliminated.

A bank applying TQM should track as goals and benchmark those that matter to the customer.

- Waiting time 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 answering the phone, the number of rings before phone is picked up etc.
- Local customers and accounts.

Problems in Banking Services

- Electronic network companies which serve the banking industry's **ATM** needs often proudly compare themselves through print media in terms of numbers and amount of transactions, number of machines installed, and number of member banks. But they are silent on what is important to the ATM customer-machine and network downtime and breakdown, which often cause a lot of inconvenience and frustration.
- User – friendliness is another thing they forget.
- Networks was designed without the customer in mind. Example – After waiting for a two anxious seconds, the machine tells you that the network is down or your bank is not connected to the network.
- Many banks have neglected the basics in salesmanship and service. **No greetings** when meeting customers, **No Thank You's** after any and every transaction, **No Eye contact** with the customer, **No Apologies** for having kept you waiting.
- The banking industry has probably the largest training budget in the private sector, next to the airline. These huge sums are obviously wasted in training the wrong people in the wrong things because despite training at huge expense, customer service quality still leaves much to be desired.

Customer Experience

Only recently, satisfaction as a construct, has attracted a lot of attention from the bankers. How do customers experience services and how do they judge them is crucial for shaping marketing efforts. Delivering what customers want and value is a must. It is all about touching their hearts. Thus knowing what satisfies or dissatisfies and delights or outrages is a basic minimum on which the marketing strategy could be based.The satisfaction is visualized as the result of assessment made by the customer of the service delivery in comparison with their prior expectation (Bitner & Hubbert, 1994)

Customer Delight

Initial definitions of marketing focus on satisfaction as the primary goal of business. Satisfaction does not assure continued support by customers. Satisfied customers leave. Satisfaction does not provide durability in relationship. The marketing emphasis is now shifting to **customer delight**. Bakers are frequently being urged to delight customers and not merely satisfy them. **Satisfaction is a common denominator, which is promised by most bankers and marketers in the field.**

Delight is one of the **emotional responses**. A customer may experience a range of emotions such as **pleasure**, **contentment, surprise** (Oliver, 1989). Delight is experienced when the customer is pleasantly surprised in response to an experienced disconfirmation. Customer delight is a reaction extended by the customer when he or she receives a service that not only satisfies but also provides an **unexpected value or unanticipated satisfaction** (chandler 1989).

Satisfaction is getting the expected whereas delight implies getting the unexpected. Joy and surprise mix to create a feeling of delight in consumption situation.

Delight is a resultant feeling of how customers are treated or dealt with in a service delivery process. It is about how service provider handles the customer's needs of security, justice and self – esteem (Schneider and Bowen, 1990)

The core service elements must be preserved and protected. But this is not good enough. Customers need to be delighted. The delighters need to be identified. Marketers often tend to be judgemental in deciding what is core and what is a delighter. The result is a great variation between what is perceived to be important by the marketer and the reality.

A happy customer is likely to emerge as an agent for positive word of mouth publicity and is not likely to easily defect to rival firms.

The analysis of delight incident is characterized by responses like **pleasurable, unforgettable, memorable and surprisingly**. What could be inferred from the delighting incidents is the **"PEOPLE – RELATED"** dimensions or behavioral aspects contributing to customer delight in a major way.

The most important aspects of service contributing to customer delight are

- How customer is treated in a service episode.
- Employee politeness, respect, friendliness and consideration are the top most factors.
- How employees respond to customer request and their willingness to genuinely help was the next top most factor.
- Customers were happy when providers showed empathy to customer problem.

Beyond the quality dimensions, four more aspects of service were found to be delighters. They are

1. Prompt customer- oriented recovery management.
2. Personalization.
3. Going beyond the call of duty (or) out of the way help provision.
4. Customization.

Customers do not like to be treated like numbers having no identity of their own. **They like to be treated as human beings, not inanimate objects.**

According to **Herzberg theory**, every manager and employer in the service firm should identify the hygiene and motivational factors. Some of the factors in the Banking Service are identified here.

DELIGHTERS	DISSATISFIERS
1.Politeness, respect, friendliness, consideration.	Not performing or delivering the promised service.
2. When things go wrong, making an earnest attempt to recover and problem solving.	Rude, disrespectful, offensive behaviors.
3. Taking personal interest in customer problem and personalization.	
4. Accommodating customer needs and owning them to solve them.	Indifferent and uncaring attitude.

To know the Customer of the Future in Banking Services

The customers of the next millennium will present challenges and opportunities in public sector banks. There are **twelve distinct mega trends** in customer behaviors that will be apparent at the turn of the century and the millennium for which bankers must make immediate and appropriate strategic adjustments.

- **FIRST:** The customers of the future will be value conscious, not price conscious. They will not associate cheap price with high value nor high price with high quality. "**Value for money will be the key purchase criterion".** The new paradigm will be "VALUE PRICING".
- **SECOND:** The customers of the future will be highly informed or **"INFORMATIONALIZED"**. They will window shop not with their feet but with their fingers on the keyboard.
- **THIRD:** The customers of the future will develop and acquire global tastes, global requirements and global standards of quality. Local products for local culture will become things of the past.
- **FOURTH:** The customers of the future will demand total satisfaction. They would pay for the product, service and package inclusive of "before sales service " and "after sales service". They will pay for the **"total experience".**
- **FIFTH:** The customers of the future would like to be **delighted**, not just satisfied. They would expect proactive rather than reactive services. They want manufacturers and service providers to read their minds, rather than ask questions and feedback.
- **SIXTH:** The customers of the future will be increasingly **fastidious and perfectionist.**
- **SEVENTH:** The customers of the future will expect high and wide variety and assortment of products, services and options. They will want their orders **mass customized** rather than mass-produced. Flexible manufacturing systems will be most adaptive to this new customer behavior.
- **EIGHTH :** The customer of the future will expect short product lives. They will not expect long-term durability, but will expect high reliability during the short life of the product. They will demand new products and services to come out in continuous stream.
- **NINETH:** The customers of the future will demand short ordering times and real time satisfaction. Customers will only tolerate hours and minutes of waiting time. Delayed deliveries will be redefined in terms of fractions of an hour, not days, process will have to be reengineered to achieve these unforgiving requirements.

- **TENTH:** The customers of the future will be **process oriented** rather than product oriented. They will judge not only the quality of the product and service, but also the quality of the management and the facilities that produce them. They will want to check how people work and how process standards are met.
- **ELEVENTH:** The customers of the future will order more frequently in smaller and smaller lots. They will want just in time deliveries, not early, not late. They will not want to carry inventories or stocks.
- **TWELTH:** The customers of the future will be **environment conscious**. They will prefer or insist on green products made by green processes. For instance, bank clients of the future may patronize only those banks which use documents made out of paper to be re-cycled.

CONCLUSION

Total Quality Management in Banking Service means to satisfy, delight and then surprise all customers. Total Quality Management should concern both management and the employees. Service operations should not waste the customers' valuable time. The choice between "speed" or "Smiles" remains an issue in service redesign. But the real challenge is how to make banking service fast and friendly.

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