

Considerations Regarding the Quality Management of Banking Services

Anca Cristina Stanciu

„Ovidius” University of Constanta, Romania

Faculty of Economics Sciences

castan22us@yahoo.com

Mihaela Constandache

Daniela Simona Nenciu

„Dimitrie Cantemir” Christian University of Bucharest, Faculty of Tourism and

Commercial Management Constanta

mihaela_constandache@yahoo.com

nenciu75@yahoo.com

Abstract

Efforts that Romanian banking institutions must make to increasing the competitiveness of services are becoming increasingly difficult to sustain and lead to a price - quality ratio to be properly appreciated. Quality of services is the most important aspect in banking too. Banks being aware of the quality problems also lead to the appearance and requirement of some area working standards to respond to requests and expectations on increasing internal or external customer satisfaction and ways that they can become competitive in a market increasingly diversified and demanding. This paper aims to present the key aspects of the quality system , the main operational elements and the sequence of steps for implementing the quality assurance system in banking activities.

Key words: quality, banking, management, system.

J.E.L. classification: M10,M11,M19,M21

1. Introduction

Quality management has been in vogue in the manufacturing industry for a long time and now services industry makes large investments in this area. Heskett , J.L., in “Service Breakthroughs: Changing the rules of the game ” (NY, 1990), book full dedicated to implementation of quality in service industry demonstrates that quality in this field can be a key to success. The book presents one of the most laconic definitions of quality - "Quality = Current Service = Expected Service" and shows that loyalty and profitability are synonymous. The author says that it is cheaper to handle existing customers than to attract new ones always and studies show that "it is eight times more expensive to restore back a lost customer."(Bowen,2006)

Thus, we can say that in the service sector, both profit and non profit increased the number of successful applications in financial services and impetus behind increased the adoption of programs for quality competition and raised customer expectations. Total Quality Management promotion in the Romanian banking sector could be an advantage both for banks and for the industry as the Romanian banking sector will provide not only an example but a mandate for generalizing the practice in the Romanian economy. This is because in general companies applying at a time Quality Management are forced to maintain their quality standards, to demand the same standards from their suppliers, thus realizing the true nucleation of quality. (Bowen,2006) Adoption of a Quality Management System (QMS) in the bank activity is a strategic decision, which directs and controls the organization in terms of quality, aiming to improve its efficiency and effectiveness, to increase the satisfaction of all stakeholders by meeting their requirements. The design of the QMS should take into consideration the fundamental principles of quality management, the

implementation of which results in building an organizational quality culture and to the improvement of the performance of the bank in order to strengthen the banking market.

2. Banking quality management policy

There are relatively recent items regarding banking area quality management (the years 80s), but researches for constant improvement have proved their importance, especially for the developed states. Quality management banking perspective is extremely interesting, from the point of view of the activities specific, and of the permanent area competition imposition. (Dinculescu, 2011)

Bank policy in quality management is a set of bank's guidelines on medium-term, including general directions, objectives and quality principles applied. Banking quality policy should include the management commitment at the highest level to fulfill customer requirements and continuously improve the effectiveness of the quality management system, and this must be communicated and understood within the bank.

Taking into account the increasing competition between commercial Romanian banks, there is a real problem to come up with new clients or to preserve the old ones. The adjusted number of the banks lead to an increasing competition and to the market banking services' awareness, in order for the „desired quality/issued by the bank” together with the one perceived by the client, to be both taken into account. (Dinculescu, 2011)

The use of quality in banking focuses on strategy and moves the focus from quality to total quality management. While banks understand the value of service quality, getting started can be a struggle. It is about the implementation of the quality process, the need for commitment, and the impact of quality on the bank. The quality process is complex and frustrating at times, but focus is critical. The process begins with top management's commitment to quality. (Appat, 2011)

In recent years, banking institutions have been subjected to intense competition and increased customer expectation. Factors that have contributed to the competition include globalization, advances in technology and changes in government regulations. Quality management is a mechanism that can be used by banks to gain competitive advantages. (Cheng et al, 2010)

Quality must be a management priority. Adopting quality as a bank strategy means cultural change and Quality service comes from inspired leadership. Although much of the research indicates the need for management commitment, renowned quality consultant

A quality strategy requires people and resources. One of the most important functions of the total quality leader is the ability to empower people. Service quality is everybody's business, and effective leaders empower employees to make on-the-spot decisions that are in the customer's interest.

Most bankers would like to believe that banks are in the finance industry, and not in the service industry. Thus they tend to compete in terms of financial prowess rather than service quality.

The lifeblood of any business is its customers. Total Quality Management (TQM), which is about total customer service and continuous customer satisfaction, is applicable not only in the manufacturing industry but in the service sector as well, where the customer is just as important. The banking industry, often the biggest service industry in any country stand to benefit from TQM. In fact, customers in the service industry are more sensitive to service quality and service delivery than in manufacturing because they are always in contact with front-line service personnel. (Domingo, 2003) Due to the emerging need of quality management system implementation in banking industry now is the time for us to move about "paradigm shift." Our commercial banks must pay attention to this shift and start thinking strategically for providing high quality products and services to customers. A primary issue of concern is the need for our commercial banks to work perfectly on the demand of, or response to, its customers' needs. 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. Understanding banking Customer's voice involved a review of contract requirements, discussions with operations and marketing personnel responsible for the accounts that had contractual commitments as well as the discussions with the customer's specific service design personnel. Voice of product design division provides an insight and support for designing a good service quality measuring parameter. The best

quality strategy is to develop life-long customers by continuously delighting and surprising them ahead of the competition. (Dawn, 2004)

3.The quality assurance system in banking activities

According to ISO 9004-2, customer satisfaction is only possible by harmonizing interactions between:(ISO,2001)

- management responsibility;
- human resources and the resources of the organization;
- the structure quality system.

-Concerning the management commitment -management of the organization will be responsible for creating an organizational structure to enable implementation within the bank management quality system In this purpose will be established in the field of quality policy and medium-term objectives and also will manage management reviews in order to ensure the availability of necessary resources to achieve these objectives. Management analysis refers to the periodic analysis of the quality system, taking into account all sources of information particularly useful, like: the results of analyzes related to the service, efficacy benefit in terms of meeting customer requirements; the results of internal audits of quality system ;the requirements re- resulting from changes in the general policy of the organization, its marketing strategies, etc.

-Staff motivation is particularly important in the case of organizations providing services where the behavior of every employee in the relationship with customers directly influence the quality of the services provided. ISO 9004-2 makes a number of recommendations on staff motivation and development of an internal communication to foster improved quality of service. A first approach towards implementation of the TQM is skill fully designed training programmes. First the bank employees should be imparted training on ISO 9000 systems and cost of quality. These programmes would emphasize the need of excellence in all spheres of management. Promote "teamwork" contribute to improving communication between employees, favoring cooperation in solving of problems. For the services quality assurance there are necessary a number of other resources: financial, material and information resources.

-ISO 9004-2 standard recommends that service organizations to define and maintain such a structure of the quality system to achieve the objectives related to quality of services. To this end, quality system elements must be structured so that all processes impacting service quality to be kept under control, ensuring the permanence satisfying specified. The processes involved in the provision of services and the relationships between these processes reveal the following categories of processes: marketing; design; performance of the service; the results of service provision; evaluate the results of the provider; evaluate the results of the customer; analysis of the performance of the service and taking action for improvement. Consequently, the main operational elements of the system of quality assurance in retail banking to take into consideration are as follows:

- a) quality assurance in marketing;
- b) quality assurance in service design;
- c) the provision of the service.

According to the PDCA cycle, the sequence of steps for implementing the SMI in the banking system are :

1.The QMS planning: appointment and the roles played by employees in the project team; team training courses and specific events for quality.

2.QMS documentation and implementation, which implies consultancy for preparation of integrated documentation and implementation of QMS projected on a pilot area through regional responsibilities of the quality.

3.QMS monitoring- an audit firm specializing diagnostic.

4.QMS improving: implementation of corrective actions and improving the processes documented; certification of the pilot area.

It follows the last stage, the implementation of the QMS by harnessing all systems requirements described in the applicable internationally reference documents . Quality, speed, efficiency, innovation are the main points on which quality programs are designed. All banks are engaged in

same basic banking activities but it is the way of delivery of service that distinguishes one bank from the other.

Conclusions

In this competitive age, the survival of a business mainly depends upon the quality associated with the product. Similarly, in order to succeed in commercial banking, there is a need to develop an organizational culture based on Quality Management approach where every body is involved in quality enhancement processes and the bank management is keen and fully committed to the satisfaction of both internal and external customers.

In the economic environment, this situation demonstrates the necessity of being different from the competition through a different service which exceeds the expectations through superior quality.

Quality approach in banking institutions means accepting the challenge to strengthen organizational culture on quality management principles. By continuous adequacy of product and financial - banking services to increasingly diversified demands of customers, offered through distribution channels integrated in terms of cost control, it provides support competitive advantage for all stakeholders of the bank: customers, employees, shareholders and society. Quality is a strategic tool in the overall management of the companies currently being identified that one of the factors critical to their competitiveness.

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