

## A Theoretical Approach to Total Quality Management in Marketing of Banking Sector

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### Abstract

The concept of "quality" has an important place in today's world. There are several factors which have an effect on the importance of "quality", such as; increasing variety of products and services, accessibility thanks to technology and new competition environments. As a result of this intense competition and liberalization of economy, banks started to look for new services and create new values. Therefore, banks not only need to outmaneuver their rivals with the help of differences they make, but they also need to develop new strategies in order to satisfy customers and gain customers' loyalty and try to present better values than their rivals'. This requires for banks to be engaged in total quality management activities. In this study, the importance of total quality management for banking sector was emphasized.

**Key Words:** Quality, Total Quality Management, Banking Sector

### Introduction

Although the concept of quality is used in almost every area in our lives, there is no clear cut definition to it. The main reason for this is that the concept itself is very multidimensional (Sankaya, 2003: 3). Nowadays the importance of the topic of the quality grows with the increasing demand for quality. Since expectations of the society have increased with the developing technology; today's companies need to have professional managers. Due to institutional pressures, increasing consumer activity and new regulations, quality management has become crucial in terms of managers and employees. Especially in markets in which finding new customers and maintaining the existing customers is very difficult, customer satisfaction and loyalty comes with the quality (Takan, 2001: 1).

### 1. Quality And Total Quality

We use the concept of quality very frequently in almost every part of our lives. Yet, there is no exact definition which has been accepted by the majority of people for the concept of quality. The reason is that the "quality" is a very multidimensional concept itself. (Sankaya, 2003: 3). The concept of quality changes from country to country and from culture to culture since it is affected by the traditions and the structure of the society (Şimşek, 2007: 5). The word "quality" comes from the word "qualis" from Latin which means "how it's made" (Şimşek, 2007: 5). Therefore the quality can be defined as the sum of features of a product or service in terms of meeting needs and demands. (Kuruşcu, 2003: 23). Customers' perception on quality affects the way it is defined. (Kıngır, 2010: 21). The majority of studies on this subject is studied by Garvin. According to Garvin customers' perception of quality can be analyzed in eight steps (Merter, 2006: 27-28):

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**Performance:** It is the basic functional feature of a product or a service. It changes depending on the type of the product. Service speed and waiting time are accepted as the basic units of measurement in performance assessment for service businesses.

**Features:** It is described as the concept which completes the basic functions of products and services. For example, treats of a travel company during a trip or airbags of automobiles are related to this aspect of the quality.

**Reliability:** It is the measurement to see whether the products and services in a company achieves all the functions which are expected from the company itself. For example, if a shirt (product) becomes deformed after a couple of washes than the company's reliability is badly affected by this.

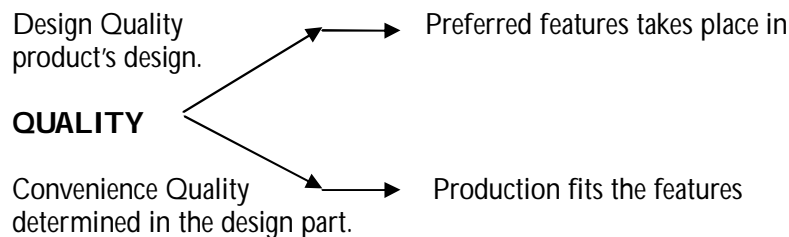
**Durability:** It is about the occupancy of products. Technological durability refers to the life cycle of a product until it is completely useless.

**Ability to Serve:** It is related to the features like speed, quickness, kindness and ability to repair. This is mostly about after sale services.

**Aesthetic:** It is about features which can serve the five senses of customers. Color, packing, shape, odor, cleanness are accepted as the aesthetic features.

**Perceived Quality:** This term expresses the decisions of customers related to a product or a service. Since customers do not always know all the features of a product, they may have to do a comparison. Therefore, in order to influence the decision of customers some promotional activities are made.

In addition to different definitions of quality, there are different types of quality. It consist of two parts; design quality and convenience quality.



**Table 1:** Components of Quality

*Design Quality*, is mostly depends on tastes, needs and choices. In other words, it shows the level of a product's meeting the needs of customers. For example, a fabric can be silk or cotton depending on the place of use or customers' choice. *Convenience quality*, on the other hand, shows the how much the product serves the quality level designed for it. Convenience quality can be measured. That is, the extent to which the convenience quality is achieved can be determined. Thus, most of the studies related to quality is about convenience quality (Halis, 2008)

### 1.1. Quality Management

Quality management is the sum of planned and systematic activities of a business in order to fulfil the targeted quality (Çetin, 2010: 21). It covers all the steps in which the product quality is made. Quality management helps to reach, maintain and improve the preplanned quality level. It also enables an assurance in order not to allow any mistakes (Kıngır, 2010: 17). Quality management involves quality planning, strategic planning, and resource allocation, management and assessment. The purpose of quality management is to meet customers' predetermined needs and expectations in the lowest level of total cost (Sarıkaya, 2003: 10).

### 1.2. Total Quality Management

Total quality management is a management perception which has come after the occurrence of the concepts "Quality" and "Total Quality". It started to be developed in 1900s after the understanding of product and service quality (Çetin, 2010: 22). Total quality management is a management type which aims to satisfy the customers and gain advantages for employees and the society in the long run (Efil, 2003: 16). It also can be defined as a management philosophy which bases on the satisfaction of customers, employees, shareholders and retailers in businesses. Total quality management (TQM) helps to go beyond expectations (Bakan, 2011: 332). Therefore it is difficult to make only one definition of it. However, depending on all definitions a deduction can be reached (DoğanveEriş, 2000: 27);

- Total = All participation
- Quality = Meeting customers' needs and expectations
- Management = Providing conditions for quality product/service

### 2.3 Principles of Total Quality Management

TQM is a management system which has been accepted by businesses as a modern management method. It has difference qualities when compared to classical management method. These differences are related to the principles of TQM (Halis, 2008: 59). The principles of TQM plays an important role in making this method better (Kıngır 2010: 17). Some of the principles which come forward in TQM are these (Biçer, 2006: 25):

- Quality
- Target customer
- Education
- Team Work
- Dependence on Statistical Data
- Constant Development and Recovery
- Leadership

### 2.4 Advantages of Total Quality Management

When compared to the other management methods TQM is a very useful method. The essence of this method is to increase the quality and decrease the loss as much as possible (Merter, 2006: 48). Based on these definitions advantages of TQM can be summarized as this (Şimşek, 2007: 59):

- Strengthening the relationship between employer and employee
- Shortening the duration of design and production
- Decreasing the number of in-process procedures
- Decreasing the waste of resources
- Increasing the productivity
- Enhancing the quality of product and services
- Shortening the time of transportation of products and services
- Increasing the flexibility in meeting the market demands
- Increasing the satisfaction of customers

### 2.5. Total Quality Management Tools

TQM tools can be organized as; process flow charts, benchmarking, quality control circle, brainstorming, cause and effect diagrams and Pareto analysis (Halis, 2008: 135).

1. **Process Flow Charts:** Process flow charts are tools which help to show all the steps in a process of fulfilling an activity or a product (Merter, 2006: 80).
2. **Benchmarking:** Benchmarking refers to the activities in which businesses search all the available practices in order to adapt them to improve their own practices. (Merter, 2006: 81).
3. **Quality Control Circle:** Quality control circle (QCC) is a small group which carries out activities in the same business (Şimşek, 2007: 177-178). In a quality circle the first thing to do is to determine the problems to look for solutions. Then the first problem is chosen by the members democratically and it is tried to be analyzed. Technical experts are needed in this process. The most effective way is brainstorming in this step. In the solution process all of the members present their solution offers to the administration (Özer, 2008: 255).
4. **Brainstorming:** Brainstorming means that idea production of a group of people. Every member states an opinion and therefore a lot of ideas are produced (Merter, 2006: 83).
5. **Cause and Effect Diagrams:** It is also known as "Ishikawa diagram" or "fishbone diagram". It can be summarized in 6 steps (Şimşek, 2007: 280):

- In the 1<sup>st</sup> step it is defined as correctly as possible.
- In the 2<sup>nd</sup> step grouping type is decided. Although any type of grouping can be used, 4M (manpower, machine, method and material) method is the most commonly used.
- In the 3<sup>rd</sup> step members takes part in the brainstorming process.
- In the 4<sup>th</sup> step all the reasons are put to a vote; members can put forward more than one reason.
- In the 5<sup>th</sup> step the highest voted reasons are marked. Members can always open these opinions up for a discussion. When the discussion is over every member has one right to vote for the second voting.
- In the last stage the reason which has the highest vote is verified in order to understand whether it is the true reason for the problem.

## 6. Pareto Analysis

Pareto analysis is a data collection technique in which all the quality-decreasing factors are determined. It is also known as the "80:20 Rule" because it is thought that in many cases 80% of the effect results from 20% of the causes. In other words, a major part of the errors arise from a few causes (Merter, 2006: 85).

### 2. Total Quality Management In Banks

In this part TQM in banking sector will be discussed. Banks are financial foundations which carries out and organizes the processes of activities including funds, money and credit. Their main purpose is to meet the needs of business and government people's work (Eyüpgiller, 1994: 2-3). Banks have functions of fund-raising, fund usage, raising bank money and service. Fund-raising is done by two sources; equity capital and liability (Durer, 1988: 28). Raising bank money is to give credit again and again after the legal reserve ratio of the invested money is subtracted. Bank money circulates when the deposit money is transferred from one account to another by means of a cheque. (Aren, 1981: 110-111). Service function is to collect and distribute time and demand deposits. It also provides various service activities, such as discounting and converting the commercial papers for customers and foreign exchange transactions (İnağ, 1995: 408).

#### 2.1. Implementation of Total Quality Management in Banks

In addition to the definition of the quality in banks, another important point to consider is customer satisfaction. Considering the special terms of banks, quality means meeting customers' needs and demands continually and consistently (BatıgünveÖzcan, 1996: 87). In today's changing world, quality in banking includes doing customers' transactions on time, collecting customer responses and assessing the data (Takan, 2001: 76).

#### 2.2. Dimensions of Quality in Banks

One of the most important aspects of service in banks is customers' participation in service production. Customers need to consider the process and the output of production when they assess the service quality (BatıgünveÖzcan: 1996: 89).

There are three dimensions to the quality in banks:

- 1) The technical quality of the service can be assessed by the customers.
- 2) Functional quality processes itself in terms of the way the service is provided. This regards to the psychological interaction between customers and staff members.
- 3) General image results from the customers' perception of the banks. Therefore it affects the service understanding.

#### 2.3. Factors of Quality in Banks

Factors of quality in banks are customer satisfaction, [indispensability](#) of quality, continuous participation, teamwork, continuous recovery and prevention (BatıgünveÖzcan: 1996: 91).

1. *Customer Satisfaction*: The struggle to understand the customer service understanding and its relation to TQM allows some banks to be more sensitive in reshaping and redefining their organizations. Clarifying the demands helps to organize according to the customers' wishes. In order to understand their demands, banks mostly prepare surveys and questionnaires for customers (Takan, 2001: 78).
2. *Indispensability of Quality*: One of the factors to reach the global is efficient and constant work, therefore process and procedure must be supervised. To be able to maintain the precedence over rivals with shrinking profit margins, it is important to control costs (Yurtçu, 1996: 534).

3. *Continuous Participation*: Total quality is a life-style and a philosophy. TQM expresses the effort of each individual in an organization with a perspective covering all the factors of quality. It is about making use of people's capacity with fully participation in all of the factors of quality (Takan, 2001: 79).
4. *Teamwork*: Teamwork means for company employees to take a common action in order to find solutions to problems. Teamwork helps accomplish successful results in quality system. (<http://www.atlasedu.com/Kisisel-gelisim/ekip-calismasinin-hayatimizdaki-yeri-ve-onemi>).
5. *Continuous Recovery*: One of the most important factors of quality is continuous recovery. It is related to bringing a solution to a problem, serving a new product or designing a process (Takan, 2001:79). Learning organization is an organization which has the ability to provide, retrieve and convey the information. Choosing employees who have these abilities and the interaction of the institution with its environment contributes to the learning ability of the organization. (<http://danismend.com/kategori/altkategori/surekli-iyilestirme-kaizen>).
6. *Prevention*: Prevention means to find solutions to the problems before they appear. Prevention also provides the products and services with superiority and perfection by means of design (BatgünveÖzcan: 1996: 93). Moreover, prevention decreases the cost of the products and prevents the discontent of customers by preventing incorrect operation (Takan, 2001:80).

#### 2.4. Factors Affecting the Total Quality Management in Banking

In 1985, factors affecting the service quality divided into ten as a result of a research on four service industries in USA (deposit banks, credit card institutions, stockbroker which floats shares, companies which provides maintenance and repair services). These factors are; reliability, eagerness, competence and ability, availability and accessibility, decorum, communication, credibility, security, understanding, customer recognition and tangible assets. These factor are still important for today's banking sector. (<http://www.odevarsiv.com/ara/Bankalarda-toplam-kalite-y%C3%B6netimi/Tum-Dosyalar>).

When a characteristic of service quality is considered, problematic issues in TQM are;

- Meeting customers' needs and demands
- The level of service quality
- Inadequacy of service for employees
- Diversifying service (Takan, 2001:97).

#### 2.5. Conditions for Success in Total Quality Management in Banks

Nowadays, there are companies which fails to implement TQM successfully as well as the companies which successfully executes it. Those companies which fail to implement TQM also fail to obtain local government support, spare enough time for motivating senior staff, prepare effective training program in the front-end. In the implementation phase they fail due to misfit between old assessment and evaluation system and TQM. (<http://www.odevarsivi.com/ara/bankalarda-toplam-kalitenin-uygulanmasi-143607.asp>).

In order not to have these kind of misimplementations, managers need to focus on the following points which are explained below and pay more attention to TQM studies with patience and determination (Takan, 2001:104):

1. *Participation and Motivation*: Open communication and effective interaction increase the competitive power of organizations. This requires staff members to be interested, motivated and flexible. (Çetin, 2010:114).
2. *Research and Development*: There are certain conditions for organizations to implement TQM by improving it. (Kıngır, 2010:74).
3. *Communication and Teamwork*: Total quality management experts also need to be expert at communication. Expected goals can be reached by means of cooperation and teamwork. (Takan, 2001:105).
4. *Change, Innovation and Recovery*: TQM helps to achieve expected goals with changes, innovations and recovery in every level and phase of management. Changes in accordance with voluntary cooperation and unity represents the effort for the organization to be developed and transformed. (<http://enm.blogcu.com/toplam-kalite-yonetimi-neden-gerekli/9444770>). Innovation is to enhance the value capacity of human and pecuniary resources. It is the process of transforming customers' needs into business. New needs require innovative businesses (<http://www.odevarsivi.com/ara/bankalarda-toplam-kalitenin-uygulanmasi-143607.asp>).

## 2.6. Manager Responsibility in Total Quality Management in Banks

The highest level of management constitutes the quality policy. Quality management covers activities of general management functions which determines targets, responsibilities and quality policy (<http://www.asbcert.com/kalitepolitikasinedir.html>).

1. *Quality Policy*: Management of a bank explains the quality policy. This policy need to be consistent with the other company policies. The management need to take precautions in order to enable the understanding, implementation and revision of the quality policy. In implementation of the quality policy in banks the service needs to be defined. CEOs form the quality policy of banks (Takan, 2001:111).
2. *Quality Targets*: Targets are the points to be reached. Claiming unreachable goals is as meaningless as to claim very easy goals for a bank (Takan, 2001:112).
3. *Quality Management Organization*: Technological developments and increase in the number of the qualified personnel have provided implementation of quality with many advantages ([http://www.canaktan.org/yonetim/yeni-yonetim/toplam\\_kalite.htm](http://www.canaktan.org/yonetim/yeni-yonetim/toplam_kalite.htm))

## 4. Conclusion

Banks have three main goals;

- Continuing its existence
- Serving the society
- Long term profit

In addition to these goals, there are special purposes to support main goals. One of them is to offer customers with better products and services. As long as this goal is achieved, banks will maintain their existence and fulfil their duty for the society. Increasing global competition conditions revealed the concept of "customer satisfaction". In order to have this feature, products and services which are demanded by customers need to be cheaper and need to be conveyed sooner than anticipated. Moreover, in accordance with the technological developments and increasing competition, the main preference factor for customers is quality. Quality is the sum of features of a product or a service regarding the ability to meet the needs.

Since the importance of quality increases day by day, the concept of total quality management has occurred. Total quality management is an approach in which competition power, efficiency and elasticity of a business is planned with the participation of company employees. (İge, 1997: 6). As a conclusion, in today's competition environment, banks need to adapt to changing conditions and meet customers' needs in order to be able to maintain their existence. In this regard, total quality management is among prior duties of banks.

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