



QUALITY ASSURANCE FOR FINANCIAL SERVICES – A WAY FORWARD

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Introduction

In today's competitive market, organizations are placing increased emphasis on customer satisfaction as they consider customer perception of product or service quality is a significant factor in determining the market share. At this point, leaders and managers turn their full attention to their organizations, to the system they manage to identify errors, dissatisfaction, high costs, and slow responses in order to overcome the dissatisfaction takes place among customers

In considering this fact, organizations regularly survey their customer satisfaction levels, hoping to promote an increased focus on customer outcomes. However many of these initiatives fall short of expectations and are unable to explain or predict customer behaviors. Therefore beyond customer satisfaction means an ongoing concern by everyone in an organization that the product or service will continue to meet the customer's needs not only with respect to the present needs of the market, but anticipates future needs. In this context what most of the organizations are seeking is customer loyalty. Loyal customer cost less to maintain, buy more products, buy more efficiently and act as effective ambassadors. Moreover, a loyal customer;

- Repeats business
- Refers others and
- Is immune to the "pull" of competition

Now, in this environment, it is necessary to understand, what an organization should do in order to face these challenges. The principle in this game is recognition that quality is what the customer perceives it to be – not what a marketer, manufacturer, or merchant says it is. Understanding of this important principle many of the world's most successful organizations have built their competitive strength today around a deceptively simple corporate business strategy which centered on "quality" for achieving both customer satisfaction and low costs. In defining the said corporate business strategy coupled with quality in service organizations need to be developed in a concrete manner to be successful in the market place.



Banking Sector

The increasing competition and changing technology have thrown and open many new opportunities for the banks while at the same time subjecting them to face new challenges and threats. In order to overcome competition and attain world-class standards, Banks have to shift the focus towards customers to improve their service. Normally, most bankers consider 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. People, resources, time, and systems are devoted more towards managing assets and cash rather than managing customers and service. In fact most bank systems are designed to control customers rather than satisfy customers. Products and procedures are set up for the convenience of the bank rather than that of the customer. A well reputed big bank may have as many as three or four General Managers responsible for guarding its assets, but no one to take care of customer service and complaints. Banks usually should give top priority for customer service and satisfaction, and accordingly assign it to a high level, if not a highly-paid, manager. Most of the bank's elaborate systems and structures are designed to monitor and maintain customer loyalty but not to measure service quality against customer feedback. The Service in the Banking sector is primarily a people oriented one. Customers' satisfaction from a people business actually starts with satisfied employees who find joy in their work. For instance, Customers and their requirements for a service industry like banking can be categorized as follows:

- Reliability
- Value for money
- Accessibility
- Courtesy
- Integrity &
- Security

The above indicates that the management of the banking sector has to play a critical role in establishing a strategy to include the above quality characteristics in their service if the industry is really committed to survive in these competitive markets. The reality in today's competitive markets no progress can be sustained without the top management leadership, but it needs the help of everyone working in the organization enabling everyone to contribute to the common objective.

Business Strategy

The forces which shape the practice of traditional management accounting are rooted in the economists model of the firm, in which the maximization of shareholder wealth is the overriding objective, and costs, prices and output are optimized according to the rational behaviour of rational markets. Finance Managers have become expert at modeling business performance. But their models, like those of the economists, have no way of capturing quality, service, worker commitment, value creation or organization learning. Accounting systems has forgotten that underneath the pyramid of numbers lie real people whose work ultimately determines the quality



of services, and the satisfaction of customers. An excessive focus on earnings, dividends and reporting standards has obscured the real value of the work that people do. The problem is that in almost every organization business strategy is not focus in such a way to address the above issues. Instead of that the organizations just work towards in maximizing profits without having a concrete criterion of how these profits are achieved.

One of the most important things in defining our business strategy is to identify the organization customers who purchase and /or use organization products or services. Secondly, it is also equally important to identify the competitors. A main issue of concern is the need for banks to work perfectly on the demand of its customers' needs. It is high time the Banking sector employees to determine where improvement is needed and how improvement can be implemented. In view of this banks must pay attention to start thinking strategically for providing high quality products and services to customers. The bottom line is that those organizations with successful initiatives are in it for the long term and view quality service as a journey. Such organizations have succeeded in securing a company-wide commitment to quality, and have achieved a high level of employee involvement and a shared responsibility for quality. These organizations are the ones that stand a greater chance of success.

Now, it is necessary to find out the principal dimensions customers use to judge an organization's product or service. This is where the quality plays a vital role in making the business strategy of any organization a success. Organizations can determine the quality parameters required to satisfy the customer's expectations. In a business environment, it is necessary to build quality into every step of the process and not inspecting it in. "Do it right the first time" is the motto here. The idea is very simple. If each step of a process builds quality into a service, then the completed service will be of high quality making final and intermediate inspection activities unnecessary. There is no necessity to re-invent the wheel as there are accepted models available and any such model can be used by an organization to achieve this goal in the market place. One such concept is the use of Total Quality Management (TQM) as part of the business strategy. Total Quality Management (TQM), which is about total customer service and continuous customer satisfaction, is applicable not only in the manufacturing industry but in the service sector as well, where the customer is just as important. In fact, customers in the service industry are more sensitive to service quality and service delivery than in manufacturing because they are always in contact with front-line service personnel, which is not the case with factory workers.

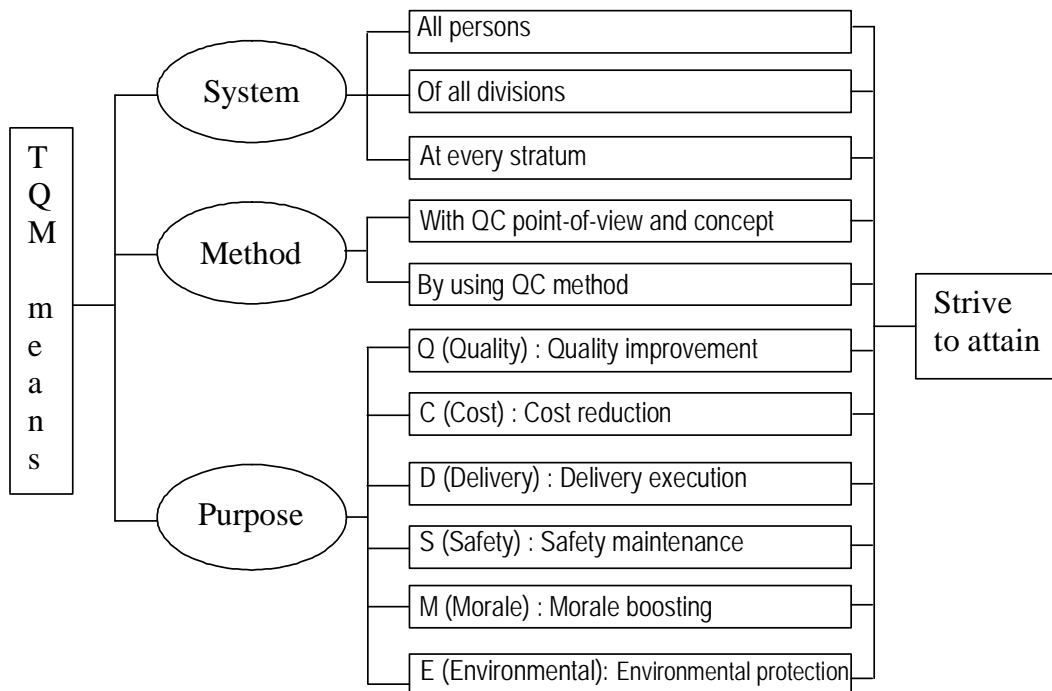
Total Quality Management (TQM)

Total Quality Management (TQM) looks at the whole business cycle of any organization in terms of chains and interplays between different activities. Prior to the emergence of Total Quality Management (TQM) in the early 1980s, responsibility for Quality was vague and confusing. The general work force had no stake in increasing the quality of its services. Quality assurance activities can be found in nearly every function of the company if these functions are viewed as links in the value chain. In other words, delivery of quality services depends on how well the many activities of the organization are organized and integrated.



The whole business cycle relies on incremental inter connected contributions which gradually convert customer demand into products and services to the total satisfaction of the customer. Each part of the organization plays a dual role as a receiver / supplier. TQM is a new way of managing to improve the effectiveness, flexibility and competitiveness of a business as a whole. It involves whole organization getting organized in each department, each activity, and each person at every level. Quality Management is concerned with the future. It deals with management of our people to improve continuously, the product and services offered by an organization and to improve the efficiency of the process involved in the production of these products or services.

Meaning of TQM





The above TQM model indicates that three main components are vital to have a sound TQM System. Let's look at those in detail in order to understand the application of the above concepts to the Banking sector. Here the first concept is to have a sound system. It is an accepted fact that 80% of errors made due to systems and procedures and only 20% are due to human error, quality can be improved substantially by improving the system and not by blaming employees. This means the bank should have proper Policies, Procedures and Guidelines covering all departments & divisions addressing the key service quality dimensions so that each and every employee in the bank is aware what exactly that they should do in order to provide an effective service to satisfy the customers. This concept also relates to reducing variation. Standardized system equate to lower variability. The System must be documented and controlled, and an internal auditing system must be established to ensure adherence to the procedures.

Second important thing is to have a sound method focusing towards quality. To improve the existing quality requires careful planning. To plan for quality, it is necessary to create specific objectives that will lead to long-term goals. This needs planning, information gathering, analysis and action. However it is worthwhile to note that current quality levels should necessary to be used as a baseline to establish realistic targets for improvement.

Third important factor is the purpose of the system that is whether the TQM is actually provides the exact results. To determine this, it is necessary to measure the outcome of the system once it is established and implemented. For instance, in the banking sector the measures like, processing times of Loans, new accounts, ATM credit cards, cheque encashment, waiting time, accuracy and timeliness of statements of accounts and records, promptness in responding to customer inquiries and lost customers and accounts etc. In other words, this mechanism leads to a results-oriented approach to quality improvement and customer loyalty.

Under the above model, Total Quality Management (TQM) encompasses a set of six guiding core principles and those are as follows:

- Leadership
- Customer Focus
- Management Commitment
- Total Participation
- Systematic Problem Solving Process
- Continuous Improvement

➤ **Leadership**

People make quality. That fundamental has not been challenged. What is controversial is how to change people to make quality products. People make quality when they want to, assuming they have the management support, knowledge, cooperation, empowerment and resources necessary. This can be achieved only by having a sound leadership within the organization.



For instance the upper management should set an example to others in the organization by demonstrating their total commitment to quality. In other words, upper-management should get involved in daily operations, publishing its personal quality improvement plans, and evaluating managers on the basis of achieving quality performance objectives. Upper management should provide a clear vision of the organization's direction and its desired future state. Organization future state means the determination of the organization work environment for a better tomorrow. The organizational vision must emphasize the need for and desirability of change and the idea that participation allows everyone to shape the future with their own ideas.

➤ **Customer Focus**

The customer may be the ultimate consumer external to the organization or an internal user receiving an internal service. Customer focus therefore means that all individuals in the organization have to focus on the quality of the process in delivering services to the customer (Internal / External). Good service in banking logically begins with understanding customer needs and using these needs to drive the good service or new product development process. Customers are the best salespeople because they are users of the products. Their desire to endorse them to their friends comes from the sincere delight and surprise. The organization's salesmen are the least credible endorsers because customers know they want to meet quotas and earn commissions.

The best quality strategy is to develop life-long customers by continuously delighting and surprising them ahead of the competition. Therefore when your customer buys your product or service, is he just buying it, or will he also "sell" or endorse it to others? If you feel that he is just buying, then rest assured that tomorrow he may be buying the same product or service from your competitor. This is the very reason, that an organization should make every effort to be more customer focus and therefore when an organization practices TQM it will automatically adjust to follow this requirement. In this context banks can gather a wide range of internal and external information on customer needs, wants, and expectations as specific to its services. In a customer focused environment, every aspect of the organization strives to promote the highest level of service to its customers, especially those who come in direct contact with the customers. Application of this principle generally results in better designed jobs, with increased accountability, greater skill and task variety, and a clear customer focus.

➤ **Management Commitment**

Management Commitment can be in the form of changing attitudes and expectations and establishing systems for quality measurement and control. Management Commitment can also be in the form of setting goals which are achievable and challenging to the organization's future and in providing the right resources, skills etc.



➤ **Total Participation**

People at the grass roots level produce the products and services that benefit the end customer. It is therefore workers who best understand the problems associated with the products/ service delivery cycle and should be the ones to be encouraged to improve the process. There are also high expectations of the society from the banking system which cannot be met without the development of the integrity, efficiency, and behavioural patterns of those working in the banks. The entire philosophy of developing an employee in banks rests in building a holistic person by moulding his or her personality, character and way of life that would model in its manifestation of qualities that could be considered as that of an ideal employee. Workers at all levels are encouraged to make suggestions for improvement and to believe that management will listen to what they have to say.

➤ **Systematic Problem Solving Process**

All problems arising out of day to day operations and customer feedback should be resolved. Always the concept of Plan-Do-Check-Action (PDCA) cycle needs to be used to improve the process. Planning for improvement entails knowing what the customer wants and needs; the process goals are determined from this information. Examining the current process with respect to these goals will help management to develop a plan for improvement. The plan stage requires defining the problem, some data collection and analysis, searching for possible solutions, evaluating alternative solutions and a recommendation for action. The do stage follows the implementation of this plan. The plan is implemented and from that the data must be gathered. The check stage should be used to measure whether the objectives are being met. Based on this analysis, the act phase begins. If the results are positive, action is then taken to replicate the improvement process across the board. It is necessary at this stage to standardize and to preserve the gains made. If the results are negative the plan stage is revisited and the cycle begins again. Again the cycle is repeated endlessly.

➤ **Continuous Improvement**

Continuous Improvement is an incremental change and not a major breakthrough, which should be the aim of all who wish to undertake the TQM journey.

TQM system provides any organization to achieve successful internal working relations in order to satisfy the needs of the external customer. Irrespective of the type or size of the organization, the internal employees of the organization who carryout various activities should provide a quality service in order to satisfy the external customers.



Table 1 TOM CONTRIBUTION TO ORGANIZATIONAL EFFECTIVENESS

TOTAL QUALITY MANAGEMENT EFFECTIVENESS				
Management Commitment	Leadership	Customer Focus	Total Participation	Systematic Analysis
Values	Plans	User Needs	Linkages	Issues
Beliefs	Missions/visions	Innovation	Shared Vision	Situation Analysis
Philosophies	Objects/strategies	Value	Shared Plans	Identify issues
Culture	Measures/Goals	Specifications	Consensus	Prioritize
Investment	Motivation	Products	Team work	CPI
Training	Communication	Quality	Quality Teams	Data Collection
Technology	Rewards	Cost	Supplier Quality	SQC Charts
Processes	Empowerment	Delivery	Employee Suggestion	PDCA
Mgt. reviews	Progress reviews	Cust. Sat. Review	Employee Reviews	Process Reviews
Tops Down	Review Results	Customer Feedback	Quality Team Rev.	Analyze Variation
Regular Review	Analyze Process	Analysis	Individual Reviews	Assign Causes
Improve Comm.	Improve Leadership	Improve Cust. Sat.	Improve Particip.	Improve Process

**SUCCESS THROUGH CUSTOMER SATISFACTION
CONTINUOUS IMPROVEMENT**

One way to deal with this is to assess poor quality in financial terms. Measuring the actual cost of poor quality, and the manner that amount is made up, can provide an impetus for management to follow the quality improvement path. This is embedded in the TQM system and it helps the organizations to focus on internal customer for continuous improvement. The Table 1 given above; indicates the TQM concept application to improve the internal processes thereby the organization can ensure that the internal customer chain is strongly monitored and initiate actions accordingly to achieve continuous improvement. The above table clearly indicates the parameters required to be developed within an organization in order to ensure that the organization practices a TQM system. If we carefully review the above table each column gives us an indication what exactly an organization should do to install a proper TQM system. To demonstrate a sound Management commitment the table shows us that the upper management must develop values within the organization and for that a certain amount of investment in this direction is required. Once it is done as part of human resource development, Processes improvement and Technology development, it is the Upper Management duty to find out whether such investment really provides the return. In this regard a proper review mechanism such as Management reviews should be introduced. The second important is to have a sound Leadership. In other words Leaders job is to set the Vision, Mission and based on that it is necessary to set goals and objectives in an integrated manner. To implement these it is also equally important to have a proper Plan, which is properly communicated down the line so that each and every employee commitment can be obtained to implement the said Plan. It is also necessary to have progress reviews to determine the achievement of the Plan. The third component of the table is the customer focus where the total organization activities should be aligned to make it more focus towards the customer and to



see that it is taking place the relevant measurements required to be established as given in the above table. The fourth item is the total participation. The organization should develop an approach to get the total participation so that the concept can be implemented effectively. In this context as shown in the table above one of the important thing is to have a shared vision and a consensus approach where all the employees can work towards a common corporate objective and to this extent it is vital to have a team approach at different levels such as cross functional teams, quality circles, suggestion schemes where issues are discussed and resolved. The last and most important component is to have a Systematic Analysis within the organization where the relevant problem solving tools such as seven basic tools like Check sheets, Histograms, Cause & Effect diagram etc could be used to identify the process related deviations or variations and to initiate actions accordingly. More importantly any problems arising out of the implementation of the TQM system can also be handled carefully, through the application of simple tools as given in the above table so that the organization will proceed in never ending improvement known as continuous improvement as shown in the above table.

Implementation of TQM

Task of implementing a TQM programme is purely the responsibility of the top management. In order to commence the implementation, any enterprise should necessary to have a clear and concise vision so that everyone understands where the company is headed. It is also necessary to develop a road map or a mission statement considering what strategies the enterprise plans to use to achieve the vision.

The Organization Mission, Policies, Objectives, will have to be established in order to achieve the Vision. In doing this exercise it is necessary to consider the TQM concepts and incorporate such concepts as part of the Policies of the organization so that TQM becomes a day to day activity in the organization. Once this is completed it is necessary to develop a Strategic Plan identifying the roles and responsibilities, time targets and the specific instructions ensuring that the required resources are available within the organization to implement the programme. Once this is completed, next step is to determine what business processes have the greatest impact on the achievement of organizational objectives.



Warren Bennis' organizational values



In moving downwards, the question asked is 'how' ?

In moving upwards, the question asked is 'why' ?

Processes are the essential link between the customer's or client's requirements and the delivery of products or services. They are the means whereby the organization and its employees fulfill their purpose or "mission". Rightly, the measurement and improvement of business processes has been the focus of much attention for many years. For example, in the area of financial perspective, one of the important processes may be to improve the cash flow.

Now it is necessary to determine what business processes have a great impact on cash flow? However, it is an accepted fact that cash flow is the lifeblood of any organization and that cuts across all departments and operating units. For instance areas in which a significant amount of cash is concentrated include the business processes involved with managing the organization's assets, such as accounts receivable, inventory management and capital allocation. Therefore, improving the performance of these processes will have an impact on the organization goal of improving cash flow.

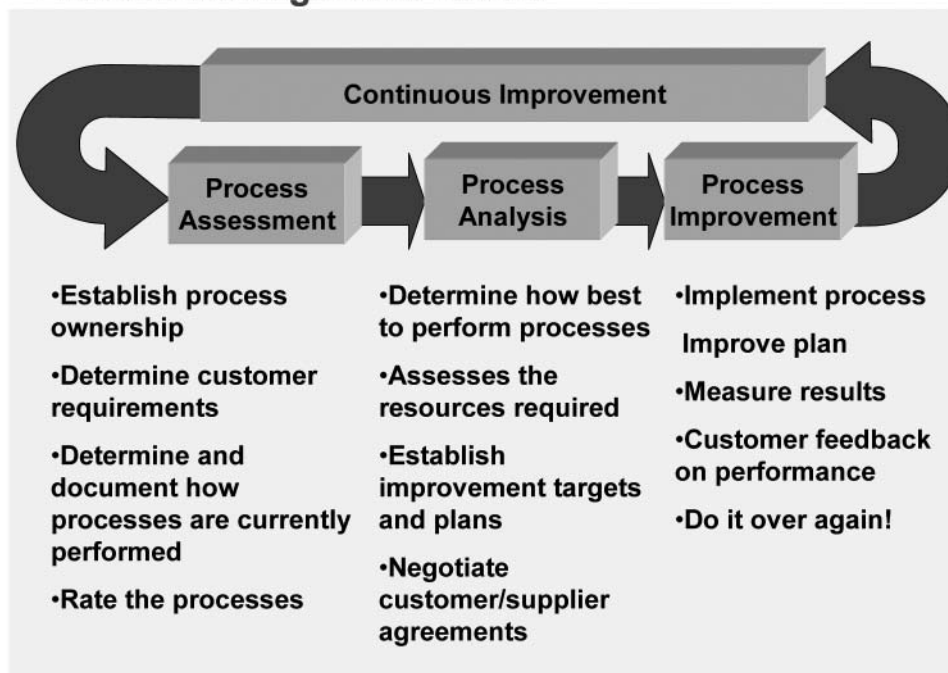
In many organizations process improvements are not done on regular basis and instead of that the employees are trying to find a solution to a problem only when a problem is occurred. This is a fire fighting approach and it wastes lot of money of the organization due to the use of raw material, man hours, and other resources of the organization in finding a solution to the said problem. The only way to eliminate this type of activity is to have a constant focus towards the



processes of the organization with the prime intention of improving such processes as a preventive approach whereby the organization will be able to save a lot of money that ultimately makes the bottom line of the organization very strong.

The figure given below indicates the steps that an organization should follow as part of the process improvement programme. The concept indicates that first it is necessary to assess the existing process so that the organization will be able to obtain a first-hand information about the status of the process and then take action to cover the identified gaps by providing the required resources and setting new targets and guiding the process owners. This step is identified as process analysis. Then the last one (process improvement) is to see whether the proposed actions are really geared for improving the processes for that it is necessary to measure the process outputs against the given targets and then initiate action if the results are not positive. This is a never-ending cycle as shown in the diagram given below. As part of the TQM implementation programme, process improvement is considered as the heart of the programme.

Process management Levels





In order to implement the develop guidelines, policies and strategic plan it is necessary to introduce a sound training plan to train all levels of employees about the whole exercise of implementing TQM. The training programmes can be categorized into the following three areas;

- a) Awareness - To make employees more aware of what TQM is and what it can accomplish. This will help to bring the employees to work towards a common goal of quality improvement.
- b) Techniques - Sessions focused on TQM related problem solving techniques as well as quality improvement requirements.
- c) Skills - Programmes aimed it changing the attitudes of employees towards quality or an human factors of quality.

However it is worthwhile to state at this instant that without the support of suppliers TQM programmes could not be possible to implement in a very successful manner. Therefore, it is essential to share with the suppliers the concept of TQM and the potential benefits to them with the implementation of a TQM programme. The objective is to involve them extensively so that proper, long-term, mutually beneficial relationships can be established as they contribute to an implementation of TQM.

Education & Training

Education and Training in the organization context is an enabling process which attempts to develop the entire Human Resource in any organization to its maximum with a view to keep the organization profitable and growth oriented. This process is primarily concerned in guiding employees towards a quality oriented work so that they can perform their tasks effectively to get the maximum benefits in implementing the TQM Programme.

Eight Step Method for TQM Implementation

To install and implement a sound TQM System within an organization the following simple steps can be used.

1. The organization should define its Vision, Mission and Value System in a proper manner for every employee to follow.
2. The organization should first identify their customers and their needs and ensure that those needs are going to address during the process modification programme.
3. The Organization must identify the critical processes and define the measures for these processes very clearly and also identify the process owners giving them full authority for them to take actions incase a problem arises.



4. Revise the roles and responsibilities of each job giving more focus on job quality assurance so that the employees are getting a message that Quality of work is the most important factor.
5. Develop a company -wide training programme to educate all employees of the organization about, Vision, Mission, Value System, Process Improvement tools and other basic quality aspects.
6. Form Teams at various levels such as process Improvement Teams, Cross Functional Teams, Management Review teams to give a proper attention to solve day to day problems.
7. Standardize all procedures, Guidelines, Instructions etc and make a sound Document Control system to avoid any unwanted changes to the said documents.
8. Conduct Annual review at all levels to find the performance is going as per the established strategic or business plan of the year.

The above steps can be changed as per the organization requirements and certain steps can also be possible to implement simultaneously. However the Upper Management Commitment as given in step one is the most important one in order to have a sound TQM programme.

Benefits of TQM

1. Effects are tangible and shown in management figures.
2. Reduce redundancy and realize slim and strong corporate structure.
3. Reinforce the structure against changes in business climate.
4. Propagate management vision company-wide to mobilize the total power.
5. Spread the concepts of "Quality-Driven Growth" and "Customer Satisfaction".
6. Facilitate the development of new products and new technologies, with the creativity and vitality fully contributing.
7. Helps (PDCA) practice of using facts as management basis to take hold.
8. Vitalize the workplace, and create an environment conducive to the growth of personnel capable of solving problems.
9. Tributes to mankind and improved employee satisfaction (ES).
10. Improved customer satisfaction (CS).

