

**THE INFLUENCE OF TOTAL QUALITY MANAGEMENT ON
ORGANIZATIONAL PERFORMANCE ON BANK SERVICES**

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ABSTRACT

Total Quality Management or TQM is applied in every business sector, including finance. Currently, there are intense competition between banks, as well as changes in customer demands and expectations. Therefore, banks as service providers must maintain, increase satisfaction, and meet the needs of their customers by providing the best quality products and services. The best quality products and services will result in better organizational performance. The method used in this literature study is a descriptive method with a qualitative approach, to explore data and information related to the application of TQM in bank services to improve service quality and answer theoretical problems. This study aims to determine how the effect of the application of TQM on the quality of bank services and what factors affect bank customer satisfaction. The results of this study prove that TQM can be the key to bank managerial success to increase customer satisfaction. There is a direct relationship and interrelationship between TQM and organizational performance. Good organizational performance depends on an efficient system so that a holistic approach to quality management produces more optimal results

Keywords: Total Quality Management; Quality of products and services; Organizational Performance; Customer Satisfaction; Banking

INTRODUCTION

Today's increasingly competitive global economy, TQM has undergone a radical shift. The concept is no longer confined to the manufacturing sector; in fact, it has expanded to service companies and nonprofit organizations such as health care, government, services, education, and financial institutions. (Sirvanci, M.B. 2004). Currently, the entire world financial sector is experiencing very rapid development. This was driven by the pandemic conditions over the last two years which hampered financial transactions at the Bank. In a short time, the Bank digitized all services and created a new strategy by providing services and transactions online. This innovation is slowly becoming the standard of Bank service quality around the world. Because online bank transactions using mobile banking provide convenience for customers and are very efficient.

Total Quality Management is a management system used to make changes to improve the quality of organizational performance and provide customer satisfaction. A quality performance is a condition in the organization concerning quality assessment standards. Performance becomes an evaluation material for service quality management.

Performance measurement is an important part of the organization. If the bank's management is stable, it will provide better service quality to achieve profits. To gain a competitive advantage over competing banks, TQM is one of the key quality management tools to achieve banking success. Quality is an important factor for every organization. Total Quality Management provides the basis for organizations to improve their competitiveness. This is an important strategy for companies to improve the quality of products and services offered to customers. TQM is a tool used to address quality standards. Used to measure organizational performance. With TQM, organizations (banks) can understand what tools and techniques can be used for quality planning and continuous improvement. Better total quality management can make better organizational performance and also vice versa.

REVIEW OF LITERATURE

A .Daragmeh, J. Barazi (2021), researched the level of compliance with TQM practices in the Banking sector in Palestine. The results of the study indicate that the practice of TQM is underappreciated and an inefficient leadership system can be the first obstacle to the implementation of TQM.

Chaturvedi, A. Solanki, M. (2020), observed the application of Total quality management techniques in the banking sector and wanted to examine employee observations. The study reveals that HDFC bank implements total quality management much better than Baroda Bank.

Abu-Mahfouz, S. S. (2019), has focused on developing the conceptual basis of TQM practices and organizational performance by exploring the relationship between HRM practices and innovation.

Jong, C. Y. Sim, A. K. & Lew, Y. T. (2019), observed the relationship between quality management and project performance of construction organizations in Malaysia. It is suggested that to get a broad perspective, other developed and underdeveloped countries should be considered.

Mavaza, T., Halimani D., and Farai D. (2017), stated that the purpose of this study was to find out how Total Quality Management can be used effectively by retail banks to increase their competitiveness given the increasingly fierce competition there. industry.

Sayyad, N. (2017), the purpose of this study is to examine the relationship between Total Quality Management (TQM) practices and their effect on company performance in Palestine. The results of this study reveal that TQM is significantly positively related to the company's quality improvement practices.

Chaturvedi. A. (2015), this paper focuses on the application of TQM in the service sector from the point of view of employees and customers. This paper reveals that there is a similar adaptation of TQM in banks while in reality there is little focus on customer needs from the customer point of view.

FRAMEWORK

2.1. Total Quality Management

According to Kaynak (2003), TQM is a holistic management philosophy that strives for continuous improvement in all organizational functions, and can be achieved. TQM is a multidimensional construct. TQM consists of several techniques including work relations, quality data and reporting, supplier quality management, product/service design, and process management. Meanwhile, the second study from the European Center for Total Quality Management-university of Bradford has a wide variety of techniques, which include quality culture, strategic quality management, quality improvement measurement systems, people and customer management, operational quality planning, external enterprise management

interfaces, supplier partnership, teamwork structure, customer satisfaction orientation, communication of improvement information. (Black, S. 1995).

2.2. Quality of Service at the Bank

Quality is an activity or business related to achieving customer satisfaction using goods or services. Various types of quality include product quality, service quality, process quality, and environment, dynamic quality that continues to change over time. Services as financial service products that meet quality can be seen from several aspects, namely good communication, security, knowing customers, tangibles, reliability, responsiveness, competence, easy access, and good manners/ethics. Service quality is the main determinant of organizational success that differentiates it from competitors, is the degree of difference between the normative expectations of customers for services and their perceptions of service performance (Lau et al. 2013). In the banking sector, the main focus on service quality is the best service quality and is also seen as a prerequisite for achieving the best quality in the sector, TQM is very important. (Al-Shobaki et al. 2010). Quality includes a commitment to continuous improvement and customer service relationships. The need for technology-based services, new and better product services, and electronic services is also an important aspect of the quality of banking services to improve the quality of services provided to customers. (Qureshi et al. 2012).

RESEARCH METHODOLOGY

3.1. Objectives

To study the relationship between total quality management and organizational performance

To study the impact of TQM on employee performance

3.2. Hypothesis

H1 : There is significant relationship between total quality management and organizational performance

H2 :The is significant impact of TQM on employee performance

3.3 Data Collection

This study data was collected from previous journals that examined the effect of Total Quality Management on the performance of banking organizations and based on the results of research by Chaturvedi, A. Solanki, M. (2021) conducted at HDFC Bank and Baroda Bank, India.

DISCUSSION AND FINDINGS



4.1 TQM Analysis on Organizational Performance

The results of correlation analysis to analyze the relationship between continuous improvement, facilities, product quality, communication and customer focus with factors related to organizational performance, namely, financial performance, technology performance and service performance. The analysis found that a significant relationship between TQM and organizational performance. In financial performance, customer focus is the factor that has the highest correlation value, this shows that there is a significant relationship between customer focus and financial performance. Communication is the second highest correlation value which indicates that there is a significant relationship between communication and financial performance. Product quality has the third highest correlation value which indicates that there is a significant relationship between product/service quality and financial performance.

Continuous Improvement and Amenities shows that there is a significant correlation between continuous improvement, facilities and financial performance. In technology performance, Customer Focus and Product Quality have the highest correlation value which indicates that there is a significant relationship between customer focus, product quality and technology performance. Continuous Improvement has the second highest correlation value which indicates that there is a moderate and significant correlation between continuous improvement and technology performance. Communication and Facilities have a correlation value which indicates that there is a significant relationship between communication, product/service quality and technology performance. In service performance, Customer Focus has the highest correlation value which indicates that there is a significant relationship between customer focus and service performance.

Product quality has the second highest correlation value which indicates that there is a significant relationship between product quality and service performance. Communication has the third highest correlation value which indicates that there is a significant and moderate relationship between communication and service performance. Continuous Improvement and Amenities have a correlation value that shows a moderate and significant correlation between continuous improvement, amenities and service performance that shows that continuous improvement, product/service quality, communication and customer focus make an impact on organizational performance.

4.2 TQM Analysis on Employee Performance

Research about the perception of bank employees regarding the implementation of TQM in related banks to evaluate the implementation of employee empowerment, recognition and rewards, training, workforce management, and teamwork at the Bank. From the research results, it is stated that the implementation of TQM properly and effectively in the Bank will have a positive and significant impact on improving the quality of employee performance. The Bank's managers can carry out stages that focus on employee empowerment, rewards and recognition, training, workforce management, and teamwork.

The leadership system in banking must be strengthened, especially regarding the quality of services provided. Banks must involve Bank employees in planning, especially in matters related to quality. Identify the bank's quality objectives, socialize them with employees, and ensure that employees are interested in achieving these goals. The need for participation of employees working in the same department in joint problem-solving. There should be a clear relationship between the performance of employees, and the achievement of their services with the quality standards of the organization, and there should be promotions and salary increases for those who achieve the bank's targets. Employee empowerment, employee rewards, incentives, and employee recognition can significantly increase employee motivation. If employees have high work motivation, their performance will directly affect

the quality of bank products and services. This indicates that the bank has a good organizational performance.

CONCLUSION

TQM is one of the main quality management to achieve banking success. Quality is an important factor for every organization. Integrated quality management provides the basis for organizations to improve their competitiveness. It has become an important strategy for companies to improve the quality of products and services offered to customers. TQM is a tool used to address quality standards. Used to measure organizational performance. With TQM, organizations (banks) can understand what tools and techniques can be used for quality planning and continuous improvement. Better total quality management makes better organizational performance and also vice versa.

Employing human resources in a way that can meet unexpected customer needs at less cost, which helps the company to achieve a competitive advantage against competitors considering the main goal of any business director. On the other hand, customers will prefer to deal with companies that offer goods and services with a high level of quality, high reliability, and equivalent to international standards. This has given birth to the concept of TQM in the service sector after being proven successful in the industrial sector.

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