TOTAL QUALITY MANAGEMENT IN THE NIGERIAN BANKING INDUSTRY

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Abstract

The study examines the relevance and application of Total Quality management in the Nigerian banking industry. The relationship between quality product/service and the level of customer's satisfaction and royalty was examined.Data for the study were collected with the aid of structured questionnaire and personal interviews. The data collected were analyzed using simple percentages and correlation analysis. The result indicates that there is a close relationship between quality product/service and the level of customer satisfaction and loyalty. However, there are other factors other than quality of the product/service that create real customer's satisfaction and loyalty base. We recommended among others, that banks should re-invent themselves into a customer–centric organization, where the voice of the customer is a crucial part of the business planning. Adherence to these will help them to succeed in this modern competitive business world.

Introduction

The banking sector is the bedrock of any developed and developing economy. A nation's economy is an aggregate expression of all activities of its citizen devoted to the production of goods and services in one form or the other. By extension, this refers to activities and processes geared towards the production of wealth for individual benefits and the society at large. The importance of banks in the economy therefore derives largely from their active role being the bastion of the financial system in promoting efficient allocation of resources. This all-important role is clearly depicted in the primary activities of banks in accepting deposit and on-lending these to borrowers in the course of these activities.

The pace of economic development depends on the volume and direction of investment provided by savings. The ability and propensity of banks, more than any other segment of the financial system, to mobilize savings and channel these funds toward investment needs of the economy, therefore mark them out as critical agents of economic growth and development. Without banks and other financial institutions, arrangement of savings and investment will not only be inefficient, but more importantly may lead to less than optimum resources allocation (Nwachukwu, 1998:50).

According to Odiaka (1991:80) an efficient and effective financial system is indispensable not only for the promotion of efficient intermediation but also for the encouragement of healthy competition, maintenance of confidence in and stability of the economic system, and protection against risk and collapse.

The degree of success of banks and other financial institutions in performing the above function depends on how effective and efficient in achieving quality in people, processes and products/services. Consequently, achieving quality in people, processes and products/services is a function of the total quality management (TQM) principles, practices and philosophies adopted. Therefore, embracing the total quality management (TQM) is a call for aggregate organizational excellence. For an organization to achieve excellence, it must establish a culture of quality in everything it has or does to its people, processes, and products/services. It is not sufficient to achieve excellence in one or two components; rather it must be achieved in all three. In the match towards stiff competition and industrialization envisaged in the 21^{st} century, captains of industries have come to realize that technology, adequate financial strength and other materials resources needed for achieving total output are nothing but dormant forces. A major characteristic that distinguished successful organization will be the degree of importance placed on total quality management implementation with a view to ensuring overall productivity, efficiency, good orientation and direction. Therefore, total quality management (TQM) strategists should try to establish what quality their target customers / clients expect and then produce and market products, services or ideas that continually exceed customers' / clients' expectations.

According to Aluko, et al (1998:89) the concept of total quality management (TQM) has received widely differing interpretations as a sort of catchall concept. This is probably because of the interwoven networks of disciplines that are trying to explain the concept. Nearly every organizations today claims to believe in quality. Many advertise it to their customer's. But what is quality? What does service quality entail and why does quality seem such a business imperative?

Stahl (1995:85) sees quality as a concept of delivering value to the customer. It is a combination of tangible and intangible experiences that creates a total customer's perception of value received. The customer's entire experience determines his or her perception of quality. Stahl (1995) further stated that understanding and managing that customer experience making the seamless and total satisfying one, the organization must be able to deliver a "total experience of value." According to Macdonald (1995) quality does not refer to luxury but conformance to quality. He outlined three levels of quality which must be taken cognizance of; must be quality (quality that meets requirements), expected quality (quality that meets expectations), and exciting quality (quality that exceeds expectations).

Lemo (2002:38) sees total quality management (TQM) as the control of all transformation processes of all organization to better satisfying customer's needs in the most economical way. He asserted that it is based on internal or self-control which is embedded in each unit of the work system using technology and people. It involves pushing problem solving and decision making down the line in the organization so as to allow people who actually do the work to both measure and take corrective action in order to deliver a product or service that meets the needs of their customer.

Aluko, et al (1998:110) posits that total quality management (TQM) is a systems approach to management that aims to enhance value to customer's and clients by designing and continually improving organizational processes and systems. Managing the processes and systems results in a horizontal focus, in contrast to the vertical focus of internally directed hierarchies. In line with this, Stahl (1995) in his suggestion stated that managers, employees and suppliers must understand the importance of Total Quality to the organization before they can commit themselves to such a vision. In this regard, the traditional mode of one –way communication from top to down is not suitable for a total quality organization.

PIMS Associates, Inc. (1996) as cited in Blocher, et al (1999:166) asserted that total quality management is the unyielding and continually improving effort by everyone in an organization to understand, meet, and exceed the expectations of customers. They concluded that the requirements to meet or exceed customers' expectations are important because it has a close link with customer's satisfaction and loyalty to an organization.

Total quality management philosophy is customer – oriented and stresses continuously improvement of product quality and service delivery. The success of quality improvement is based on the understanding of every member of the organization concerning the needs of their customers (internal and external). The maintenance of that understanding requires continuing dialogue and negotiation with the customer and measurement of one's products and services against the customer's expectations. Total quality management (TQM) in whichever way, it is viewed, aims at providing quality products and services that meet or exceed the needs of customers.

Statement of the Problem

The Nigerian economy has experienced serious economic problems like persistent inflation, falling profits, wide spread business risks and bank failures. Hence, it is necessary for banks and corporate organizations to have effective and efficient total quality management (TQM) strategies that will invariably reduce cost, enhance turnover and profitability as well as improve on total performance.
Today, what underlies competitive advantage is the ability to provide products and services that meet or exceed the needs of customers. This implies that to survive, organization must device new management system based on the tenets of Total Quality, and by offering quality products and services. Unfortunately, some of the banks that failed to give total quality management a priority by virtue of not adopting this management tool collapsed.

Research Hypotheses

To facilitate the study, the following hypotheses were formulated and tested:

Ho: There is no relationship between quality product/service and the level of customer's satisfaction and loyalty.

H_1: There is relationship between quality product/service and the level of customer's satisfaction and loyalty.

Method

The study used both primary and secondary sources. The primary methods used include structured questionnaire, personal interview and observation. Personal interview was used to seek further clarification on responses to the questionnaire. The purpose of this is to give opportunity to respondent to express their opinion without restriction.

The area of the study and population used for these was two hundred and forty (240) drawn from eight banks comprising two old generation and six new generation banks in Edo and Delta States. Random sampling technique was employed in the selection of the respondents. The respondent comprises of top management and senior staff in the banking industry. Adequate care was taken to ensure representativeness. Due to the clear and superiority of probability selection technique over the non-probability technique and the need for an objective method of measuring the precision of reliability of estimates made from the sample, simple percentage and correlation analysis were used in the analysis and this was done by means of computer facilities (Special package for social science (SPSS)). However, the formula for correlation (r) is:

$$= r \frac{(N\sum X^2 - (\sum x)^2 (N\sum y^2 - (\sum y)^2)}{N\sum xy - (\sum x)(\sum y)}$$

Where: N		=	number of pairs of scores
	$\sum xy$	=	sum of the products of paired scores
	$\sum x$	=	sum of x Scores
	$\sum y$	=	sum of y scores
	$\sum x^2$	=	sum of squared x scores
	$\sum y^2$	=	sum of squared y scores

The value of correlation (r) takes either a positive or a negative sign, depending on the direction of the relationship between the two variables. Its value varies on a scale from -1 to + 1. Where the correlation result is positive we reject the null (Ho) hypothesis and accept the alternative (H_1) hypothesis.

Demographic Characteristics of Respondents

The response by sex, educational qualification and working experience are presented below. The responses showed that the respondents comprised of 69 males and 171 females. The male constitutes 28.8% of the respondents while, female represents 71.2% of the respondents (See figure 1).

Figure 1: Sex of Respondents

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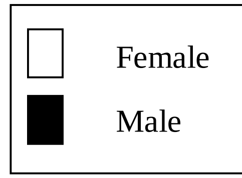
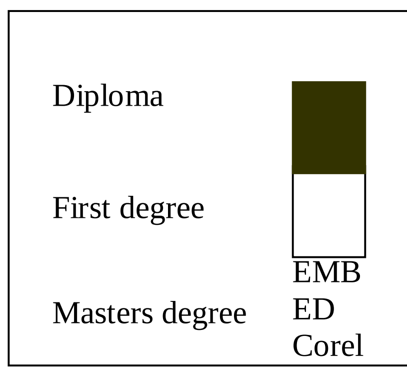


The responses also showed that the respondents were diploma holders and graduates. Seventy-four of them had Master's degree. One hundred and twenty-six had First degree while, the remaining forty had Diploma certificates (See figure 2)

Figure 2: Educational Qualification of Respondents

EMBED CorelDRAW.Graphic.11



The respondents claimed that they have been working in the banking industry for at least three years. Their working experiences ranged from three to twelve years. Table 1 and Figure 3 below show the working experience of the respondents in the industry.

Table 1: Working Experience of Respondents in the Banking Industry

Years of Experience	3 -4	5 –6	7 -8	9-10	11 and above
Number of Respondents	40	81	32	45	42

Source: Research Survey, 2008

Figure 3: Working Experience of Respondents in the Banking Industry

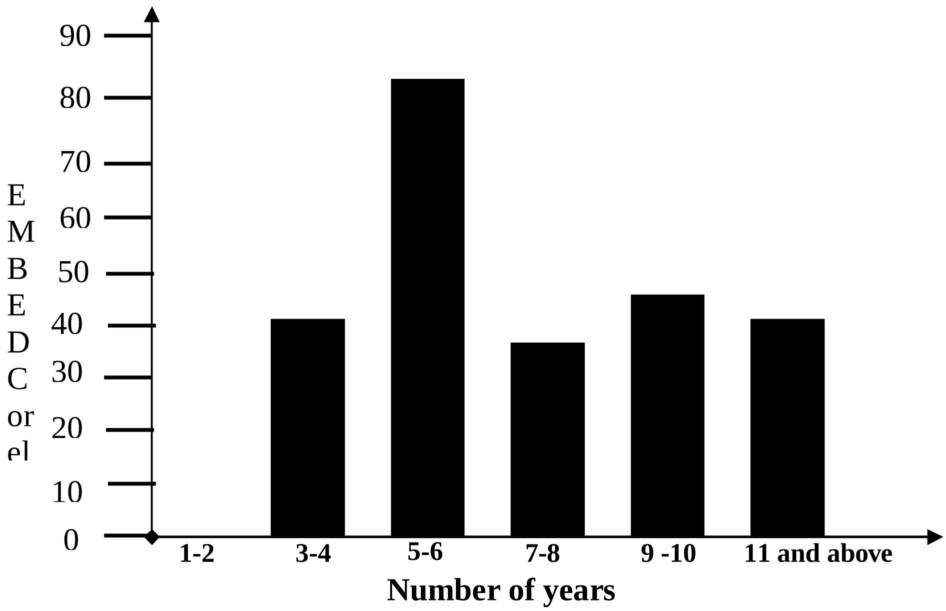


Figure 3 shows that 40 respondents had been working in the banking industry for between 3-4 years. While 81 respondents had been working in the industry for between 5-6 years. Thirty –Two (32) respondents had been working in the banking industry for between 7-8 years. Furthermore, 45 respondents claimed that they had been working for between 9-10 years while 42 respondents claimed to have been working in the banking industry for over 11 years.

In summary, majority of the respondents have had over five years working experience in the banking industry. This means that the data collected for analysis are reliable to form a good basis for this research work.

Data Analysis/Results

The data used for the study were gathered by the use of questionnaire and personal interview and observation. The data collected with the use of the questionnaire were analyzed by simple percentages and correlation analysis. The data analysis and research findings are presented below.

Relationship Between Quality and Customer's Satisfaction and Loyalty

The null hypothesis is that there is no relationship between quality product / service and the level of customer's satisfaction and loyalty. Out of the 240 respondents, over 66% claimed that the quality of the product/service determines their level of satisfaction and loyalty. The extents to which they rely on quality were correlated with their level of satisfaction and loyalty to determine if there is a relationship. The result of the correlation analysis is presented in Table 2 below.

Table 2 Correlation Analysis

	QUAPS	**CUSLY**
QUAPS Pearson Correlation	1	0.197
CUSLY Pearson Correlation	0.197	1
N	240	240

Correlation is significant at the 0.01 level (2- tailed)
Source: Research Survey, 2008

The table 2 indicates that the correlation (r) of the variable, Quality has a positive sign. This is indicated by the correlation coefficient value of 0.197. This result indicated a weak relationship. Therefore, it can be accepted that there is a relationship between quality product / service and the level of customer's satisfaction and loyalty. In other words, the quality of the product /service plays a positive role in determining the level of customer's satisfaction and loyalty. However, the weak relationship shows that there could be other factors other than quality that determine the level of customer's satisfaction and loyalty.

Discussion of Findings

The findings of the study revealed that there is a close relationship between quality product/service and the level of customer's satisfaction and loyalty. This is a validation of earlier findings by PIMS Associates Inc. (1996) and KPMG (2006). It is likely that when a firm provides its customer's with quality products equal to or better in quality at lower prices makes happy customers, creates new demand, and increases the market share of the firm. However, creating real customer's satisfaction and loyalty base is a function of many things. It is not simply offering quality product or service; it is a combination of all aspects – quality of the product or service, price, reward, people and strategy.

This finding is expected because we have seen in the Nigerian banking industry prior to the competitive 1990s when the giants of the financial service sector such as the old reliable banks had a relatively static customer's base. Then customers rarely changed their banks. Then giants of the industry slumbered and concentrated on internal issues and ran the organizations to suit themselves. Communication and response to the customer became slower and slower before the emergence of "listening" and "caring" banks (New Generation Banks). Some of these had to open on Weekends and Public holidays, stop adding charges to accounts and even pay interest on current accounts in credit. They had realized that customers were choosing banks on the basis of personal service encounters. Most banks particularly, the old reliable suffered because of their perceived treatment of customer's and small businesses, which they had previously encouraged.

Conclusion

The surest way to improve performance, service delivery and service quality in any organization is to have adequate technology and infrastructures in place, well – trained and motivated staff that imbibe the concept of total quality management (TQM). The greatest asset of total quality management (TQM) is a satisfied customer. Satisfaction does not arise out of selling what the organizations have produced, but understanding what customer's really want. Only by satisfying the need of our customer's better than our competitors can survival be guaranteed.

A successful total quality management environment requires a committed and well-trained workforce that participates fully in quality improvement activities. Such participation is reinforced by reward and recognition systems. We need therefore to bear in mind that, it is virtually impossible for any single function in any organization to reap the numerous benefits of total quality management, except the entire organization of which it forms a part embrace the basic tenets of total quality management and are committed to making it work.

The success of total quality management (TQM) strategy rest squarely on the management and employee commitment, performance, values, communication, culture change, teamwork and of course leadership. This has been the tool most of the Nigeria banks embraced recently after the industry consolidation induced by regulation that made them to pass the test of the second quinquennium of the new millennium.

Conclusively, total quality management (TQM) is not a program, it is a systematic, integrated and organizational way-of-life directed at the continuous improvement of an organization. Its successful implementation will assist organization to position themselves for the challenges ahead.

Recommendations

In view of the findings discussed earlier in this research, the following recommendations are therefore proposed:

a. The Nigerian banks should re-invent themselves into a customer – centric organization where the voice of the customer is a crucial part of the business planning.
b. Adequate training should be provided to management and staff in the banking industry. They should be sent on various course facilitated by experts in the industry to keep them abreast of new development from time to time to enhance their effectiveness and profitability.
c. Reward and recognition are the best means of reinforcing the emphasis on total quality management. Therefore, Salaries, welfare packages and other

forms of remuneration should be improved upon to check employee's turnover in the industry as well as to motivate them to peak performance.

d. Quality improvement is a continuous process. Therefore, management should conduct periodically total quality management performance review with the view to improving the organization's performance.

e. Employees in the banking industry should be adequately empowered so as to enable them respond quickly to customer's need.

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