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**FOSTERING THE PERFORMANCE OF BANK THROUGH TOTAL  
QUALITY MANAGEMENT (TQM) PRACTICES IN PT BANK  
PEMBANGUNAN DAERAH SUMATERA BARAT**

**THESIS**



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**Fostering The Performance of Bank Through Total Quality Management  
(TQM) Practices in PT Bank Pembangunan Daerah Sumatera Barat**

(By Gina Maya Steffany, Accounting Department, Andalas University.86 Pages)

**ABSTRACT**

*This research was conducted in PT Bank Pembangunan Daerah Sumatera Barat.. The purpose of this research is to examine the implementation of total quality management in improving the performance of PT Bank Pembangunan Daerah Sumatera Barat. In this research, researchers identified and examine Total Quality Management affect to the improvements of PT Bank Pembangunan Daerah Sumatera Barat financial performance and organizational performance when it was applied. This research using data from published financial reports in the period of 2006-2010 and through questioners which is distribute to the customers and interview which is gathered information from some employees of PT Bank Pembangunan Daerah Regional Office Padang. The result of this research shows PT Bank Pembangunan Daerah Sumatera Barat has implemented all Total Quality Management principles: customer focus, leadership, involvement of people, process approach, system approach to management, continual improvement, factual approach to decision making and mutually beneficial supplier relationships. The implementation of TQM improve financial performance, there are improvement in profitability and productivity. Higher profitability and productivity more optimize of human resources and more satisfied customer means TQM practices have successfully implemented in PT Bank Pembangunan Daerah Sumatera Barat.*

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# CHAPTER 1

## INTRODUCTION

### 1.1 Backgrounds

Banks play their important role in any economic system. Banks play a more active role for the economic development of any country by mobilizing the funds from savers. They are financial intermediaries involve in transfers of funds within and outside the country. Banking sector is getting competitive every day. All banks in the world are considering quality in the strategic management. Banks have started paying attention to quality aspects of their business. In today's global, product or service quality and customer satisfaction may increase the performance of banks for successful survival. It is recommended that service performance appraisal system of a bank be improved in line with customer satisfaction in the banking sector.

Banks, among other organizations, have been facing many changing challenges that caused by globalization, liberalization, technological advancements, and changing customers' technological-driven expectations (Moreno *et al.*, 2005). Banks have been facing a dynamic business environment that is technologically driven, globally unbounded, and customer oriented. These challenges, among many others, called for extensive search for suitable strategies to be adopted by organizations for growth and survival in the changing and turbulent marketplace (Al-Mansour,

2007). It has been widely emphasized that customers of the banks are the main business partners that use and promote the products and services.

The lifeblood of any business is its customers. Quality of service is more difficult for customers to measure than quality of manufactured goods. For banking service, there is more than one bank trying to satisfy customers. Generally, though a user of a banking service has a few characteristics and attributes in mind that he or she uses as a basis for comparison among alternatives. Lack of one attribute in a bank may make the customers to prefer another. In short, quality determines profits, and customers alone define and determine what that bank quality is and should be.

Quality has to be managed. It will not just happen. It must involve everyone in the process and be applied throughout an organization. Failure to meet the requirement in any part of a quality chain has a way of multiplying, and failure in one part of the system creates problems elsewhere, leading to a cycle of yet more failure and more problems. The price of quality is the continued examination of the requirements and our ability to meet them. This will lead to a continuous improvement philosophy.

The motivation for quality improvement comes from conscious awareness shared by all members of an organization that every process can be done more effectively, giving increased value to customers, and more efficiently with less waste and resource consumption. This increase in effectiveness and efficiency benefit customers, the organization and its members and the society in general.

Banks are not left behind in quality race. In highly competitive environment, success of banking is based upon the satisfaction of both internal and external customers. This customer-centric global business environment forced all banks to adopt strategies that pay an increasing attention to the customers. The attention has also been given to the effect of customers' satisfaction on the business of a bank and its strategic position. Since the Total Quality Management strategy was built on the fact that it is a management philosophy that seeks to satisfy customers through continuous improvements.

The philosophy of Total Quality Management guides towards this direction satisfaction of both internal and external customers that is the best sales people around. In order to achieve that objective, there is a need to develop a Total Quality Management of Banking Operations. Total Quality Management (TQM) is a way of managing to improve the effectiveness, efficiency, flexibility and competitiveness of a business as a whole. TQM involves the whole organization, getting organized in every department, in every activity with every single person at every level. This involves putting in place processes and systems which will ensure that every aspect of its activity is aligned to satisfy customer needs and the organizations' objectives without waste of effort by releasing the full potential of every person in the organization.

Despite the extensive research work, related to TQM practices, conducted by researchers around the world, the concept of TQM is still ambiguous (Dean & Brown, 1994). In addition to that, the quality

management literature, although extensive, is still controversial regarding the ability of TQM in generating the competitive advantage and continues improvement.

Total quality management (TQM) has been acknowledged as an important subject in management theory and practice. However, the connection between TQM practices and improved financial performance is discussed frequently in the TQM literature. Some results have been published, which argue that TQM investments result in an improved financial performance. Based on survey results, many organizations do not succeed with their TQM efforts. It is caused by inappropriate TQM implementation and TQM programs are ineffective so that organizational and financial performance can not be achieved significant improvements.

The differentiation among research conducted, to outline financial benefits of TQM implementation, implies that the area needs further investigation. The approaches used to determine the benefits of TQM programs, and to find the impact of TQM to the financial performance. One approach to measure the effects of TQM investment on financial performance is to compare companies that have received a quality award against companies that have not received any quality award. As many still argue whether TQM programs are profitable, the purpose of this study is to form an opinion if Banks that successfully have implemented TQM have better financial performance development than their stated competitors.

Based on the background of the above problems, the authors are interested in doing research with the title: "**Fostering The Performance of Bank through Total Quality Management (TQM) Practices, Case Study: PT Bank Pembangunan Daerah Sumatera Barat**"

## **1.2 Problem Definition**

Banking sectors have started to embrace quality as their *raison d'être*, following the success of the quality movement, known as Total Quality Management (TQM) in the manufacturing sector. Banks are relatively slow in shifting into this customer-first paradigm. Historically, banks were conceived as sophisticated control systems since it does business with the most liquid of assets: cash. Banks have to maintain image, reputation, and credibility in order to do their job as custodians of other people's money. But over the years, the complex systems and bureaucracy were set up and added in the name of control while sacrificing and neglecting customer service in the process.

Total Quality Management (TQM), which is about total customer service and continuous customer satisfaction, is applicable in banking sector as well, where the customer is just as important. In fact, customers in the banking 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. These points-of-purchase contact or "moments of truth" decide whether

the customer will come back or shift to the next door competitor. The banking industry stands to benefit from TQM. 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.

The question of whether an adoption of total quality management (TQM) improves the organizational performance and financial performance has been discussed for several years. Various studies have been conducted to examine the impact of TQM on organizational and financial performance, but there is still disagreement concerning the effectiveness of TQM. To assess the financial benefits of implementing TQM, it would be ideal to compare the actual companies' performance with the performance that would have been the case if the companies had not implemented TQM.

Based on background above, the proposed issue can be formulated as follows:

1. How does the implementation of Total Quality Management improve the performance of PT Bank Pembangunan Daerah Sumatera Barat?
2. How is the application of Total Quality Management to the PT Bank Pembangunan Daerah Sumatera Barat from the customer points of view?

3. How does Total Quality Management indicate improvements in PT Bank Pembangunan Daerah Sumatera Barat financial performance when it was applied?

### **1.3 Research Objective**

This research aims at achieving the following research objectives:

1. To examine the implementation of total quality management in improving the performance of PT Bank Pembangunan Daerah Sumatera Barat.
2. To identify Total Quality Management affect to the improvements of PT Bank Pembangunan Daerah Sumatera Barat financial performance when it was applied.
3. To know how success Total Quality Management practices in PT Bank Pembangunan Daerah Sumatera Barat from the customer points of view.

### **1.4 Research Benefits**

The study will achieve the following benefits:

1. For PT Bank Pembangunan Daerah Sumatera Barat

Analysis result obtained from this research is expected to be consideration to increase the level of awareness and appreciation of

TQM in bank, acquire the impact of TQM practices to the bank performance, and of course to bring into highest quality of bank.

2. For Writer

Giving insight about the concept of TQM and the implementation of it especially in PT Bank Pembangunan Daerah Sumatera Barat.

3. For Another Party

To be a reference to conduct further research.

### **1.5 Problem Limitation**

This research is limited by several things, which are:

1. The implementation of total quality management of PT Bank Pembangunan Daerah Sumatera Barat directed to the bank performance with ISO 9001:2008.
2. The data used is from PT Bank Pembangunan Daerah Sumatera Barat on the year of 2006, 2007, 2008, 2009, and 2010.

### **1.6 Writing Systematic**

The writing systematic of this study is as follows:

- Chapter 1 is introduction that will give description about background, problem definition, objectives of the research, benefits of the research, problem limitation and writing systematic.

- Chapter 2 Theoretical Framework provides an overview of literature survey about the purpose, benefit, and characteristic of quality management systems. It also describes about Total Quality Management, its implementations as approach for continuously improvement and the impact of total quality management to the organizational performance and financial performance.
- Chapter 3 Research Methodology discusses research object, type of research, type of data used in research, data gathering method, research variable and variable measurement, assessment of research instrument and data analysis method.
- Chapter 4 provides discussion and analysis
- Chapter 5 consists of conclusion, suggestion, and research constrains.

## CHAPTER 2

### THEORETICAL FRAMEWORK

#### 2.1 Definition of Quality

Quality is a very spacious term which is used for several meanings. Hence, it was important to explain the expression we used in this thesis. A German phrase which is called “Quality has its price” is very often used. Many scientists and especially end-costumers think that quality is always expensive (Balachandran, 1996).

We would like to distinguish two types of quality. One quality term is more seen from the customer’s perspective and the other expression is the manufacturers’ point of view of quality. Juran presents two suitable definitions for our investigation. “*Quality means those features which meet customer needs and thereby provide customer satisfaction*”, this quotation describes the customers’ point of view of quality. It is very subjective and every end-user might have a different understanding of quality. Nevertheless, it is very important for companies to know and fulfill customer’s quality expectations to stay profitable. Quality in this case concerns the product’s overall ability to perform required functions. This quality definition often means for companies to provide more expensive goods. (Juran, 2000)

The second definition must be seen from manufacturers’ perspective. “*Quality means freedom from deficiencies – freedom from errors that require doing work over again (rework) or that result in field failures, customer dissatisfaction, customer claims, and so on*”. This

perspective is rather objective. There are different methods to measure the quality, for example warranty charges or amount of rework. This definition tends to production and process quality which means that higher quality is usually linked with less costs. (Juran, 2000) It is important for many companies to achieve both quality definitions to be competitive in a very tough market.

## **2.2 Definition of Quality Management**

The roots of quality management are in Japan during the 1950s. Since the 1990s this issue is very important for companies. Today, quality management is a main subject to be competitive in global markets. Quality management is a philosophy that encompasses many activities concerning the fulfilment of customer and organization expectations. An approach which is used by many companies is “Total Quality Management”. (Stashevsky & Elizur, 2002) Almost every company uses the guidelines of “International Organization for Standardization” to manage its quality issues. The ISO 9000 series from the year 2000 is responsible for quality concerns. It provides a collection of guidelines which are international accepted for good quality management practices. These standards define eight quality management principles to improve firms’ performance which are presented in table 2.1.

Table 2.1

Eight Quality Management Principles

<b>Principle 1</b>	<b>Customer focus</b>	Organizations depend on their customers and therefore should understand current and future customer needs, should meet customer requirements and strive to exceed customer expectations.
<b>Principle 2</b>	<b>Leadership</b>	Leaders establish unity of purpose and direction of the organization. They should create and maintain the internal environment in which people can become fully involved in achieving the organization's objectives.
<b>Principle 3</b>	<b>Involvement of people</b>	People at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization's benefit.
<b>Principle 4</b>	<b>Process approach</b>	A desired result is achieved more efficiently when activities and related resources are managed as a process.
<b>Principle 5</b>	<b>System approach to management</b>	Identifying, understanding and managing interrelated processes as a system contributes to the organization's effectiveness and efficiency in achieving its objectives.
<b>Principle 6</b>	<b>Continual improvement</b>	Continual improvement of the organization's overall performance should be a permanent objective of the organization.
<b>Principle 7</b>	<b>Factual approach to decision making</b>	Effective decisions are based on the analysis of data and information.
<b>Principle 8</b>	<b>Mutually beneficial supplier relationships</b>	An organization and its suppliers are interdependent and a mutually beneficial relationship enhances the ability of both to create value.

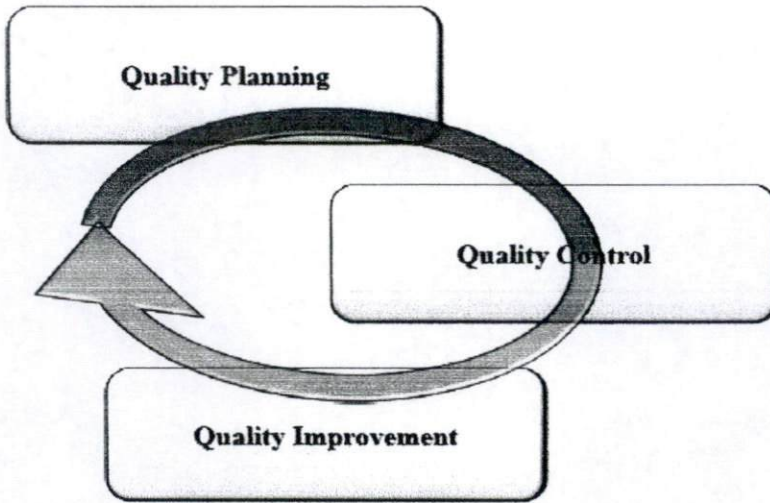
*Source:* [www.iso.org](http://www.iso.org)

The ISO verification stands for quality excellence and companies expect that all their supply chain partners meet these standards. ([www.quality.de/lexikon](http://www.quality.de/lexikon)) Hence, the supply chain management and especially quality issues become more and more important.

A basic model for quality management and process improvement is devised by Joseph M. Juran who was a guru and co-founder in the area of quality management. This competent person is the eponym for “The Juran Trilogy”. (Godfrey & Kenett, 2007; Nahmias, 2005) Juran’s Trilogy is a simple but notwithstanding complete model for managing quality. This management system should guarantee the production of ideal product features and minimum deficiencies at lowest possible costs (De Feo & Barnard, 2004). It has three major processes which are quality planning, control, and improvement. All three processes are interrelated like the next figure visualizes (Godfrey & Kenett, 2007; Juran, 2000).

Figure 2.1

“The Juran Trilogy” Processes



Source: Interrelation of Juran’s Trilogy ([www.6sigmatech.com](http://www.6sigmatech.com))

The first component of “The Juran Trilogy” is quality planning. This structured process focuses on developing innovative products or services and meeting customer needs. For instance, this process requires bank and related activities for designing new services. The quality planning process combines several steps. Banks need to identify customers and target markets. They have to discover customer expectations and needs. Furthermore, the developed bank should exceed customers’ needs. The developed processes should create services in the most economical way. Finally, these ideas and plans must be transferred into action. (Juran, 2008; De Feo & Barnard, 2004; Juran, 2000)

Quality control is the second process of “The Juran Trilogy”. This universal managerial process meets objectives during operations. Main

elements of this control process are the evaluation of actual performances, comparison of these performances to goals and standards, and then reaction on bad differences. (Godfrey & Kenett, 2007; Juran, 2008; De Feo & Barnard, 2004; Juran, 2000)

The third trilogy element is the quality improvement process. A synonym for improvement is breakthrough which is also used by many authors (Juran, 2000). Here, the bank uncovers and identifies roots of existing problems. If the company knows the roots of the problem it can manage and change the causes. (Juran, 2008; De Feo & Barnard, 2004; Juran, 2000)

Table 2.2

Summary the Elements of The Juran Trilogy

<b>Quality Planning</b>	<b>Quality Control</b>	<b>Quality Improvement</b>
Establish quality goals	Evaluate actual performance	Prove the need
Identify who the customers are	Compare actual performance with quality goals	Establish the infrastructure
Determine the needs of the customers	Act on the difference	Identify the improvement projects

Source: Interrelation of Juran's Trilogy ([www.6sigmatech.com](http://www.6sigmatech.com))

## 2.3 Total Quality Management

### 2.3.1 Understanding of Total Quality Management

Total Quality Management is a widespread and ample theme. There are found several definitions of TQM in the literature because of different aspects from the authors. Jack Hradesky (1995) gave a good and summarized overview about TQM in his "Total Quality Management Handbook": *"Total Quality Management (TQM) is a philosophy, a set of tools, and a process whose output yields customer satisfaction and continuous improvement. [...] TQM combines cultural-changing tactics and structured technical techniques whose focus is on satisfying the needs of internal and external customers. TQM requires that the executives are involved and committed, not just interested, and that the focus is on implementation. Results of TQM include error-free processes which deliver products and services fit for use, on time, with competitive pricing and good value."*

*When properly carried out, TQM becomes integrated into all aspects of the corporate identity. TQM's scope covers all functions within a company from sales and marketing through design, production, and service. The formula for success is one part „effective training“, two parts „effective implementation“, and three parts „executive involvement“.*

*The training is analogous to a football team's practice; the implementation is the real „game action“. Broadening the concept of quality is the aim of TQM, so that quality moves from a product appraisal*

*function to a corporate imperative for excellence and the refusal to be satisfied with the status quo."*

The objective of TQM practices is to improve the performance of an organization. Over the years Deming summarized in 14 points his knowledge that a company needs for working with a successful quality management at all organizational levels. (Rao et al., 1996) Juran's concept comprised the managerial dimensions of planning, organizing and controlling, and focused on trying to reach quality improvement. He established ten steps for quality improvement. The third guru Feigenbaum created four points which were indispensable for a good quality management. Today, it is known that these authors wrote about quality control in general, and not only specified on TQM. (Ross, 1993)

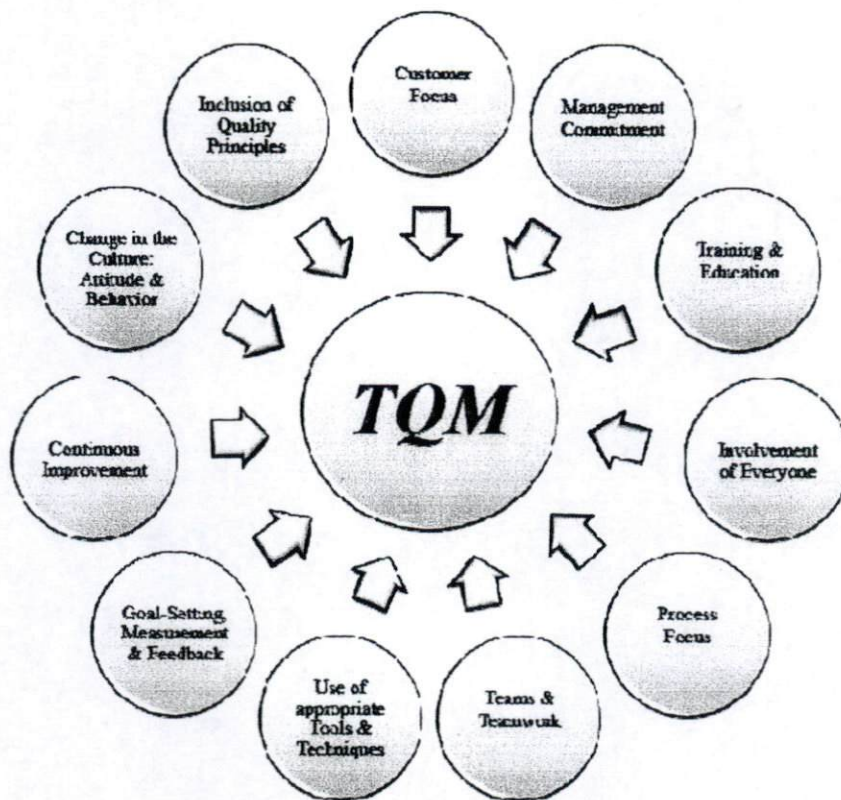
For this reason we would like to present Boaden's list with his eleven points. In his article he investigated and specified on TQM. Hence, we decided to use his eleven statements for a successful TQM in a company. According to Boaden (1997) TQM involves:

1. Customers focus, with emphasis on the customer-supplier relationship, internally and externally.
2. The commitment of everyone to quality improvement, especially managers.
3. Training and education considered as an investment.
4. The involvement of everyone within the organization in quality improvement.

5. A focus on processes.
6. The use of teams and teamwork.
7. The use of appropriate tools and techniques, reviewed regularly.
8. Goal-setting, measurement and feedback for all aspects of the business.
9. Continuous improvement as a philosophy.
10. A change in the culture of the organization, for example the way people think and behave.
11. The inclusion of quality principles into product and service design.

Figure 2.2

Eleven Aspects which TQM involves



Source: Boaden, 1997

So, this prior list of Boaden but also Deming's 14 tools, Juran's ten steps and Crosby's four points can be assigned to three dominant broad categories. They want each employee to accept a way of life which comprises (Boaden, 1997; Rao et al., 1996):

Summing up it is safe to say that all authors agree that TQM seeks to improve productivity by focusing on satisfying the customer and involving the employees in the process. *"TQM has the practical goal of improving the bottom line and at the same time raising the employee morale."* (Rao et al., 1996)

As Asher (1996, p. 20) observes, there is need for management to lead the total quality process to encourage others in the organization to follow and to prove to them that management means what they say about quality. This implies that top management must be convinced of the need for quality and must clearly communicate it to the entire organization by written policy. This policy statement, according to Ross (1995, pp. 6-7) would state what each person is expected to perform according to the requirements or how best the employees could cause the requirements to be officially changed to what the organization and the customer really need. To Unruh (1996, P. 37), top management commitment means:

*It is top management that enables an organization to focus on its customers. It leads the development of a statement of purpose centered on customers, communicates the vision constantly, and makes sure that the organization's practices stay aligned with the*

*vision. Most importantly, top management is a role model for the rest of the company in its commitment to serving customers.*

Organizations that successfully implemented TQM demonstrated a strong belief in Total Quality as a way of life. It is not just because it makes sense and is morally right, but because it is seen as the only way to succeed in business –larger profit margins, more dedicated and happier employees and greater competitive advantage.

A TQM study by Burton and Philip (1999) discovered if the organization had a track record of effective responsiveness to the environment, and if it had been able to successfully change the way it operated, the TQM will be easier to implement. Implementing TQM essentially involved organizational transformation: beginning to operate in new ways, developing a new culture. The study concluded that leadership styles and organizational culture must be congruent with TQM. TQM is a powerful technique for unleashing employee creativity and potential, reducing bureaucracy and costs, and improving service to clients and the community.

Saffran and Vogt (1999) studied the implementation of quality management system based on ISO 9000 at Deutsche Bank AG. To establish the quality system, a structural plan was divided into four steps: determination of tasks and responsibilities; studies; implementation; and certification. Benefits of implementation included improved clarity and motivation for employees, increased customer satisfaction, and higher productivity. Success of the Deutsche Bank quality system initiative was

based on factors such as employee involvement, open communication, customer orientation, and flexibility in adapting the system to new requirements.

Edwards and Smith (1999) conducted a research on TQM in Banking focusing on quality performance standard setting, measuring and monitoring. The study concluded that customer care programs, action teams and improved communications were the first step; the next step in maintaining the competitive edge was the establishment of quality performance standards, and devising systems for measuring and monitoring their effectiveness. The best way to institute quality into an organization, particularly a bank, was to train employees to do their job better through a top down training structure.

Zia ul Haq (2005) conducted a study on TQM Implications in Financial Sector, focusing on change management issues that addressed quality management practices in the service sector, difficulty in taking a holistic approach to total quality management (TQM) implementation in the service environment, and the challenges of delivering organizational reform through TQM. The study employed a quasi qualitative case study methodology. Twenty service companies from health care, insurance, consulting, banking and other financial services were studied over a period of two years to assess their change management practices for implementing TQM. The study found that unrealistic expectations of employee commitment, absence of process focus, lack of information flow, holes in education and training, and failure to create a continuous improvement

culture contributed significantly towards failure. The study concluded that when real and actual approaches to change management follow academic models and techniques of change management, the ability to develop and implement organization-wide change progresses more smoothly.

### **2.3.2 Benefits of TQM**

Many scientists state that TQM results in a competitive edge for companies (Shin et al., 1998; Powell, 1995; Seetharaman et al., 2006; Tari, 2005). The implementation of TQM takes much time, effort, and is connected with costs in the beginning. Nevertheless, if the philosophy is implemented properly TQM has many benefits. (Ahire et al., 1996) This chapter provides an overview of benefits arising from TQM. The main result of TQM should be a profitable company. Hence, TQM wants to lead to a more efficient company. This is gained through satisfied customers which is the basis for profitability.

TQM strongly focuses on customers to meet customer needs and expectations, and to achieve satisfied customers. Therefore, the company concentrates on quality as TQM suggests. This means the company wants to create value for customers, and all processes, which are not valuable, are unnecessary. (Powell, 1995; Seetharaman et al., 2006; Tari, 2005)

The way to an efficient and profitable company starts with the implementing of TQM characteristics. If the implementation is successful the company gains several benefits which lead to a better performance. Some main results of a successful TQM are improved quality through reduction of COPQ, easier problem solving, and improvement of products,

processes and efficiency of employees. (Powell, 1995; Seetharaman et al., 2006; Tari, 2005)

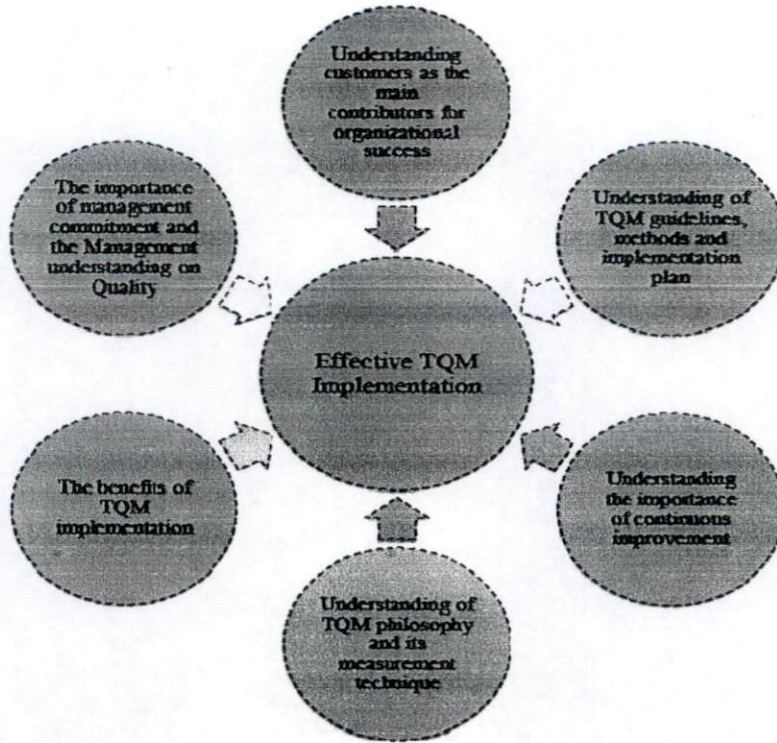
TQM focuses on quality improvements and tries to cut valueless processes for customers. A main activity to quality improvements is the reduction of COPQ. Due to the fact that the whole company, this includes every worker, tries to reduce COPQ the productivity can be increased. COPQ contains internal and external failure costs as well as appraisal and prevention costs (De Feo & Barnard, 2004; Juran, 2000).

TQM strongly involves employees in its philosophy. Employees take part at the development. They need to understand what they are doing and should be able to react independently on occurring situations. TQM improves teamwork, creativity, innovation, training, communication, trust and decision making (Karia & Asaari, 2006). Furthermore, employees become more motivated and encouraged to control, manage, and improve processes as well as solve problems within their responsibility. Moreover, TQM provides an atmosphere in which continuous improvements are very welcome. All these results of TQM lead to a competitive edge for an efficient and profitable company. (Powell, 1995)

The following figure visualized the six discussed critical factors for a valuable TQM implementation.

Figure 2.3

Critical Factors for a Successful TQM



Source: Seetharaman et al. (2006)

### 2.3.3 Total Quality Management and Customer Satisfaction

The quality concept has been expanded and evolved from the product oriented one which can satisfy the customer's needs and expectations. TQM as an important source of the quality competition especially is a tool for the firm's growth in the long run. TQM is a strategic tool for the growth of the firm in the long run. Myoung- Ho lee etal (2000) says TQM focuses on customer orientated approach so as to pursue strategically the continuous improvement of the results from all process. There are various models that have been developed to evaluate customer's judgment about service experience.

Croning and Taylor (1994) perceived a performance model but the exclusion of the sacrifice factor like price is a severe weakness in the customer satisfaction evaluation model; this is because most customers pay attention to the monetary or non-monetary sacrifice in decision making of their purchase. "Robert Heller (1995) in the "leadership imperative" defines the concept of TQM as the *impact of total quality management on banks performance in Nigeria* 82 practical methodology for continuously improving all business processes. Emphasis here is on "practical" and "continuous". The basic philosophy is to see the management of men and material resources as a business whether it is at the level of the firm or in a macro set-up. In a nutshell, TQM concept holds that no matter how well you are already doing you can always do better.

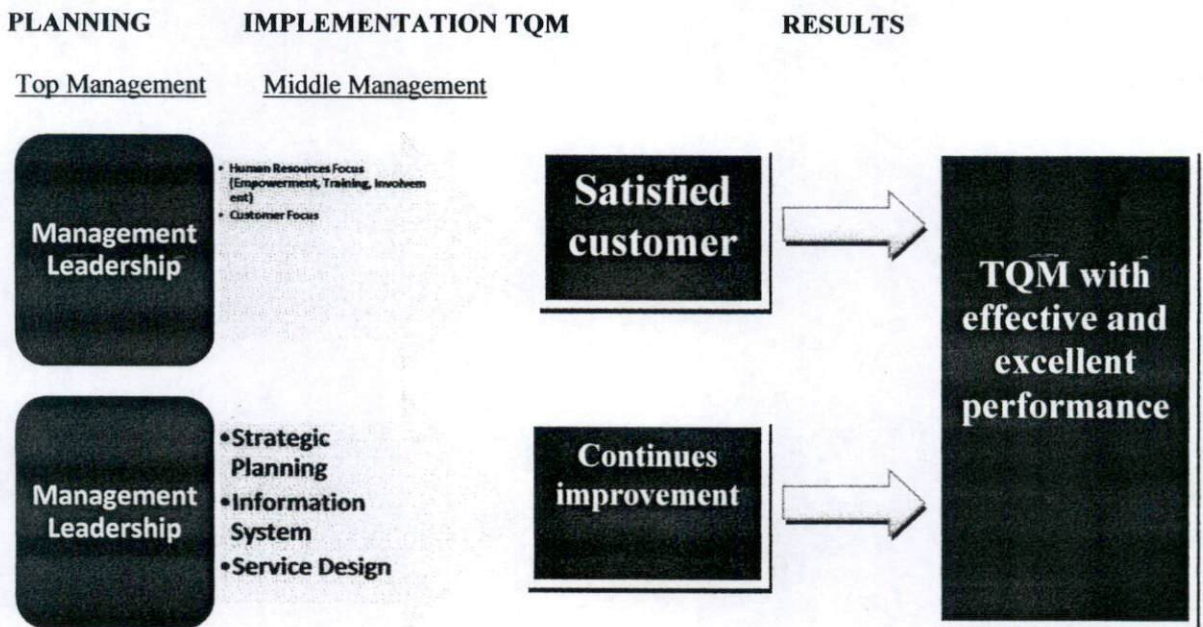
Dobyns and Crawford (1994) expatiate further that TQM involves deep understanding of three basic components namely; the system, the process and the philosophy from which the organization or entity is extracted. The system could be rendered as follows: an ever changing world, fierce, international competition, a system of world information which does not believe in people or descent and a world full of opportunities. The "process" here approximate to the necessary economic transformation from an underdeveloped economy to a modern industrial state. The process also involves the uplifting of the basic quality of life and its people through education, improved health care, modern processes of production and more equitable distribution of wealth. It involves still, the

harnessing of the human and material resources for the goal of fitting into the system above.

The “philosophy” involves the identification of goals, which have been partially addressed under the process, as well as the means of attaining the goals. Applying the concept of TQM therefore entails a thorough grounding by both the leadership and the led in three components, which are common to all organization. TQM involves attempt to improve quality at every phase of an organization’s work, whether it is on corporate plan, initiation, implementation, personnel selection or customer satisfaction.

Figure 2.4

TQM and Customer Satisfaction



Source: Nilsson, Johnson, & Gustafsson (2001); Vora (2002)

### 2.3.4 TQM and ISO: 9000

From the beginning until now, the view of the organization's product quality has evolved, the original quality product unnoticed, is now the main thing. In detail, the concept of quality is divided into five stages, namely:

1. Era without quality

This era begins before the 18th century, where products are made is not considered quality. This condition may occur if the organization does not have competition (monopoly).

2. Inspection era

At this age, the quality is only attached to the end product. In other words, the quality problems associated with damaged or defective products. This era took place in the West circa 1800's. At this time, manufacturers began to get a competitor and used production is mass production. Sorting of the final product was done by inspection. Attention to quality producers is very limited. Top management did not pay attention to product quality and responsibility delegated to the department of product quality inspection with emphasis lies in the handling of the final product before release to consumers.

3. Statistical Quality Control Era

If at the time of the inspection irregularities resulting product attributes of the standard attributes, department inspections can not detect whether the deviation was caused by mistakes in the production or simply due to chance. Thus, the information obtained can not be

used to make improvements to the production to prevent a similar thing. In this era, the inspection department is equipped with tools and statistical methods in detecting irregularities that occur in the attributes of products generated in the production process. Data such deviations can be notified to the production department as the basis for the holding of improvements to processes and systems used in processing products. Thus, product quality has begun to be controlled through the production department, not just inspected by the inspection department. This era began developing in 1930, introduced by Walter A. Shewart.

#### 4. Quality Assurance Era

In this era, the concept of quality has expanded from a narrow concept (only limited to the production stage) to stage design and coordination with service departments (workshops, warehouses, production planning and control). Management involvement in the handling began to realize the importance of product quality due to the involvement of suppliers in the determination of product quality requires the coordination and management policies. In this day and age began to be introduced about the cost of quality. Based on this concept, expenditures will be reduced if management improves preventive activity which is something more important than quality improvement efforts on the deviations that have already occurred. This era began in the 1950's.

In this era, the involvement of top management is important and decisive in making the quality to put the company in a competitive position. This system can be defined as an integrative management system and strategy that involves all managers and employees, as well as using methods of qualitative and quantitative for continuously improving organizational processes, in order to meet and exceed the needs, desires, and expectations of customers.

TQM covers all the functions of a function. TQM is a mix of functions and processes related to the product life cycle at different stages, such as design, planning, production, distribution and service. Measure the success of TQM is customer satisfaction and how to achieve it, especially through design system and continuous improvement.

TQM is an approach to improve the effectiveness and power supply with an overall business centred on quality. TQM in principle is a way to organize and mobilize the whole organization, every department, every activity and every individual at every level to achieve quality.

A company must meet the following requirements:

- It is the rule that every company implementing TQM should first try to construct a system of quality management. That system should be relevant to all activities and tasks to be done for achieving the goal.

- With this in mind, it becomes clear that quality management has evolved beyond the level of supervisors and engineers, and virtually covers the entire organization.
- A company that uses TQM approach should seek the increase in all areas. Companies that use TQM approach should be aware that this is a process of continuous improvement, ongoing continuous quality improvement program and not a libertine in the allotted time.

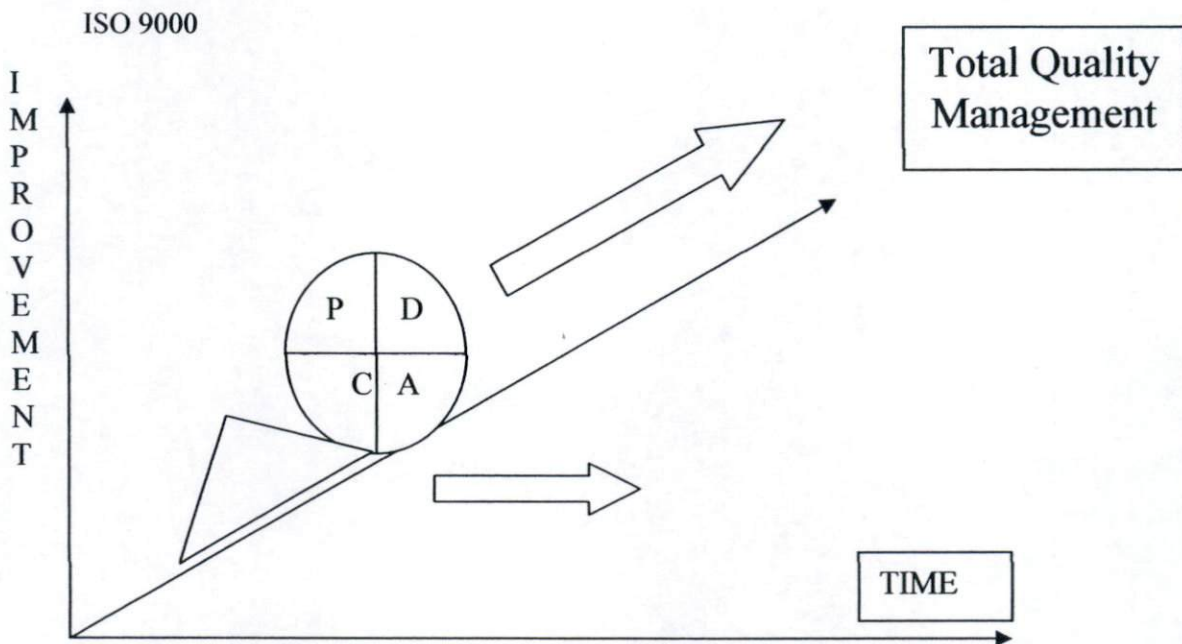
Total Quality Management system can be developed in many ways, including based on the fundamental needs as summarized in ISO 9000, which is part of a number of standards set by ISO .ISO 9000 provides guidelines for developing and implementing Total Quality Management system. The guidelines were presented that aspects of the quality management system in relation to the needs of a business to achieve optimum quality and costs, ensuring profitability, expand market share and maintain long-term competitiveness. TQM Systems - ISO 9000 is usually applied to interact with all the activities related to the quality of goods or services. This system covers all stages from initial identification until finally achieved the satisfaction of interested parties. All of these stages can be described by the pattern of Plan-Do-Check-Act (PDCA). This pattern is a structure approach used in ISO 9000 to approach the process, the emphasis on customers and continuous improvement (continual improvement). The pattern is a pattern that is used to achieve Total Quality Management.

In general it can be said that the contents of the ISO 9000 shows a model of Total Quality Management approach and incorporates many of the Malcolm Baldrige criteria. These criteria consist of seven measurements, the focus and customer satisfaction, quality and results of operations, quality management processes, management and human resource development, strategic quality planning, information and analysis, and leadership.

Adopting quality management system is the organization's strategic decisions. As we know, the latest edition of ISO 9000 based on eight quality management principles. Thus the ineffectiveness of the application of quality management for this can be reduced.

Figure 2.5

Relationship TQM and ISO



### **2.3.5 TQM Use ISO 9001:2008**

Adopting total quality management is the organization's strategic decisions. As we know, the latest edition of ISO 9001: 2008 is implemented to reduce the ineffectiveness of the application of quality management. ISO 9001:2008 specifies requirements for a quality management system where an organization needs to demonstrate its ability to consistently provide product that meets customer and applicable statutory and regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements. All requirements of ISO 9001:2008 are generic and are intended to be applicable to all organizations, regardless of type, size and product provided.

#### **Summary of ISO 9001:2008 in informal language**

1. The quality policy is a formal statement from management, closely linked to the business and marketing plan and to customer needs.
2. The quality policy is understood and followed at all levels and by all employees. Each employee works towards measurable objectives.
3. The business makes decisions about the quality system based on recorded data.
4. The quality system is regularly audited and evaluated for conformance and effectiveness.
5. Records show how and where raw materials and products were processed, to allow products and problems to be traced to the source.

6. The business determines customer requirements.
7. The business has created systems for communicating with customers about product information, inquiries, contracts, orders, feedback and complaints.
8. When developing new products, the business plans the stages of development, with appropriate testing at each stage. It tests and documents whether the product meets design requirements, regulatory requirements and user needs.
9. The business regularly reviews performance through internal audits and meetings. The business determines whether the quality system is working and what improvements can be made. It has a documented procedure for internal audits.
10. The business deals with past problems and potential problems. It keeps records of these activities and the resulting decisions, and monitors their effectiveness.
11. The business has documented procedures for dealing with actual and potential non conformances (problems involving suppliers or customers, or internal problems).
12. The business (1) makes sure no one uses bad product, (2) determines what to do with bad product, (3) deals with the root cause of problems, and (4) keep records to use as a tool to improve the system.

## 2.4 TQM model in Bank

Performance can, as well as TQM, be defined in many different ways. The definition provided by European Foundation for Quality Management (EFQM) (1999) is used. EFQM (1999) defines performance as a measure of attainment achieved by an individual, team, organization or process. There are many different indicators to measure the performance. In Hendricks and Singhal (1997), six indicators of the financial performance were used to illuminate the impact of TQM. These were change in operating income, change in sales, change in return on assets, and change in return on sales, change in total assets and change in number of employees. Easton and Jarrell (1998) also use similar indicators, net income, operating income, sales and inventory, to evaluate the impact of TQM on financial performance.

There is a model for application of Total quality Management in Bank. This model can be seen in Figure 2.6. The model shows the interaction between the elements of TQM in order to achieve a continuous improvement in the production and operation of the target organization, thus achieving customer satisfaction. The model structure is made of three building blocks:

1. Requirements: These are the basic requirements and building blocks for the initial implementation of TQM. These are: Approval of the philosophy, commitment toward the philosophy and availability of critical information needed for the implementation and measurement of performance.

2. **Actions:** These are the activities needed for the implementation of the philosophy in the organization. These include: training of employees in the aspects of TQM and the meaning of the philosophy, participation and involvement of the upper management in the implementation phase and structural organizational change needed for implementation in terms of responsibilities, departments and management levels.
3. **Results:** These are the results from implementing TQM in a performance, which include customer satisfaction and financial development. Two financial development indicators were used here:

- a) **Profitability:** It's the degree of organization success in achievement of its predetermined objectives or, it's the degree of organization success in available resources distribution in order to achieve the highest profit from its investment, and it can be measured quantitatively by :

$$\textit{Profitability} = \frac{\textit{Net Income After Tax}}{\textit{Total Assets}}$$

- b) **Productivity:** Its the quantity of necessary resources required to produce one unit from the total production and its measured quantitatively by:

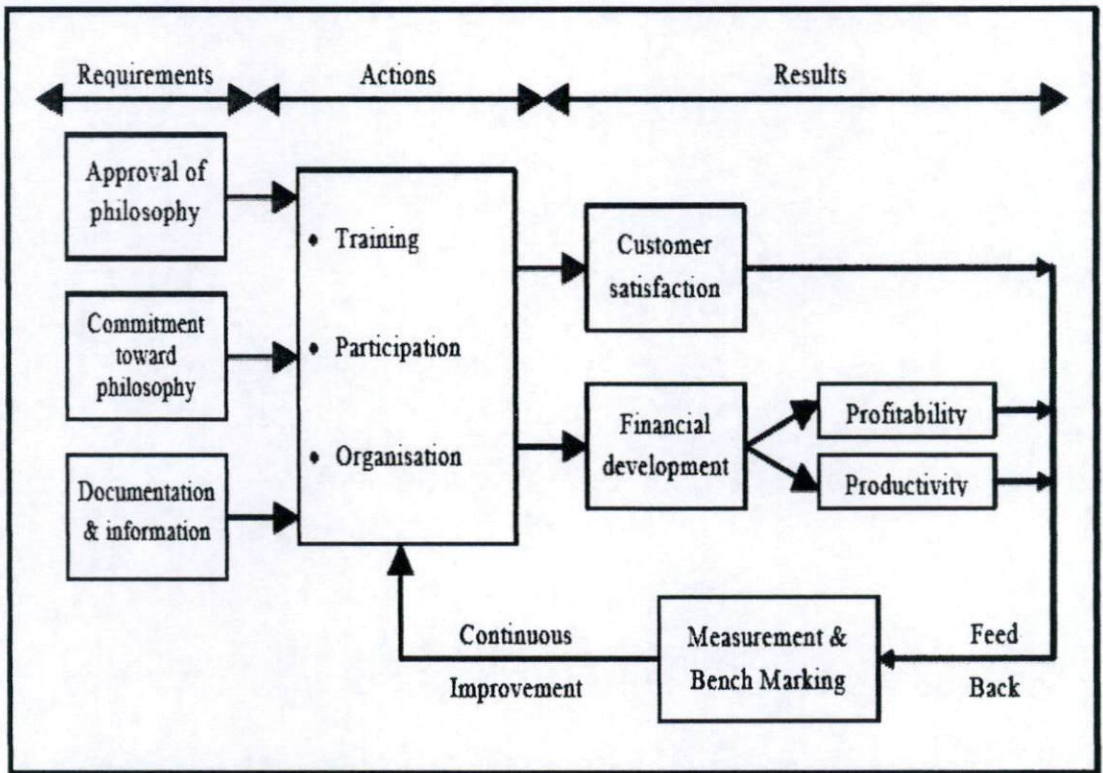
$$\textit{Productivity} = \frac{\textit{Total Deposits At The End Of Year}}{\textit{Total Number of Employees}}$$

Embedded in the model is the continuous improvement concept. This is because banks that intend to apply the model will have to measure their performance and compare it to the competitor's performance. This

will allow the banks to get a feed back about the level of required improvement and what must be done to achieve better results.

Figure 2.6

The proposed TQM model for the study



Source: Salman (2010)

## CHAPTER 3

### RESEARCH METHODOLOGY

#### 3.1 Object of research

The object of this research is a financial service organization which is PT Bank Pembangunan Daerah Sumatera Barat that improve organizational Bank performance and financial performance through the implementation total quality management practices in order to have good quality management system. The ISO 9000 series provide a collection of guidelines which consist of eight quality management principles to improve PT Bank Pembangunan Daerah Sumatera Barat's performance, they are: customer focus, leadership, involvement of people, process approach, system approach to management, continual improvement, and factual approach to decision making. For looking the implementation of total quality management practices, questioners with one kind of respondents are used, they are customers PT Bank Pembangunan Daerah Sumatera Barat. For identifying the application total quality management, interview is also done with three divisions in PT Bank Pembangunan Daerah Sumatera Barat, they are: planning division, corporate secretary division, and human resource division.

#### 3.2 Type of Research

The type of the research is qualitative to describe the real condition of PT Bank Pembangunan Daerah Sumatera Barat. The study is conducted through directly observe and study PT Bank Pembangunan Daerah Sumatera Barat. The observation and study is conducted to obtain the data

regarding improving bank performance and financial performance by using total quality management practices. The qualitative research focuses on analyzing the impact of total quality management to the financial performance and investigation of implementation of total quality management practices in PT Bank Pembangunan Daerah Sumatera Barat.

### **3.3 Type of Data**

The data used in this research are primary and secondary data:

1. Primary data is the data gathered directly through questioners which is distribute to the customers and interview which is gathered information from some employees of PT Bank Pembangunan Daerah Sumatera Barat. Questionnaires, data collection using a list of statements used to determine the perceptions of respondents on several variables considered in the implementation of TQM. Interviews, data collection by conducting a question and answer directly to the resource in order to obtain information that is not accommodated from the questionnaire. The interview is conducted for getting information about the practices of total quality management inside PT Bank Pembangunan Daerah Sumatera Barat.
2. Secondary data are annual report of PT Bank Pembangunan Daerah Sumatera Barat for five periods which are in the year of 2006, 2007, 2008, 2009, and 2010 and literature and document study related with improving PT Bank Pembangunan Daerah Sumatera Barat financial

performance through the implementation of total quality management practices.

### **3.4 Data Gathering Method**

#### **3.4.1 Data about total quality management practices**

This data is obtained directly through the observation method and interview three divisions at PT Bank Pembangunan Daerah Sumatera Barat to find the data and information about the implementation of total quality management practices by using ISO 9001:2008.

#### **3.4.2 Data about TQM indicates the improvement of financial performance of PT Bank Pembangunan Daerah Sumatera Barat when TQM is applied**

The financial data which includes the Balance Sheet and the Income Statement of PT Bank Pembangunan Daerah Sumatera Barat on the year of 2006,2007, 2008, 2009, and 2010, is obtained from annual report of PT Bank Pembangunan Daerah Sumatera Barat.

#### **3.4.3 Data about the implementation of TQM from customer point of view**

To get the data about customer, the research is conducted by distribute questioners to the customers of PT Bank Pembangunan Daerah Sumatera Barat, with all the customers of PT Bank Pembangunan Daerah Sumatera Barat as the research population. The samples are taken using Slovin formula (Umar, 1997):

$$n = \frac{N}{1 + Ne^2}$$

Explanation:

n = Sample size

N = Population Size (500.000 customers)

e = percentage of tolerance level of the wrong sample taken, 10% (as the population is big)

So, the result of computation is:

$$n = \frac{462.290}{1 + 462.290(0,1)^2}$$

n = (Rounded to 100 samples)

The questioners are distributed to the customers are 100 with the estimation that each customer will fill in the questioner for 5-10 minutes. The technique used in taking sample is probability sampling technique, with simple random sampling, giving the same and unlimited opportunities for every elements in the population to be taken as sample. Questionare is adopted from the research of Salman (2010).

### 3.5 Research Variable and Variable Measurement

1. The variable in this research is total quality management practices which consists of eight principles of quality management which are customer focus, leadership, involvement of people, process approach, system approach to management, continual

improvement, and factual approach to decision making and mutually beneficial suppliers relationships.

## 2. Financial Variable Measurement

The financial performance of company is related with profitability measurement, which is the ability of company to gain profit in a certain period of time. Based on Gasperz (2003), the ratio used are: Return on Total Assets (ROA). This is the ratio measures the overall efficiency of the firm in managing its total investment in assets. It indicates the amount of profit earned relative to the level of investment in total assets(Fraser and Ormiston, 2001). This measurement is stated using percentage.

The financial performance of company is also related with productivity measurement. Productivity is the quantity of necessary resources required to produce one unit from the total production. It is computed by comparing the total deposits at the end of year and total number of employee.

Table 3.1

Variable Measurement

Variable	Indicator	Scale
<p>The implementation of total quality management</p>	<p>The appropriate standard of implementation of total quality management with the TQM elements:</p> <ol style="list-style-type: none"> <li>1. Focus on customer</li> <li>2. Leadership</li> <li>3. Involvement of employee</li> <li>4. Process approach</li> <li>5. System approach to management</li> <li>6. Continual improvement</li> <li>7. Factual approach to decision making</li> <li>8. Mutually beneficial suppliers relationships</li> </ol>	<p>Ordinal</p>
<p>The change financial performance before and after the implementation of total quality management</p>	<p>The difference between Return on Assets (ROA) actual and previous year</p> <p>The productivity of Bank Nagari by comparing total deposits at the end of year and total number of employee</p>	<p>Ratio</p>

Questioner valuation weighth measurement of customer and employee satisfaction uses the likert scale which explains:

Satisfaction Level	Score
Highly agree	5
Agree	4
Approximately agree	3
Disagree	2
Completely disagree	1

The 5-Likert scale has been used in the questionnaire with the following values: highly agree (5), agree (4), approximately agree (3), disagree (2), and completely disagree (1). The mean and the standard deviation of the different questions were calculated. It was considered that the customer agree on a given statement when the mean is (3.5) or more.

### **3.7 Data Analysis Method**

The method to analyse each variables are as follows:

#### **3.7.1 Implementation of total quality management in PT Bank Pembangunan Daerah Sumatera Barat**

Data analysis about the implementation of total quality management is explained by using descriptive analysis. Qualitative data and information about total quality management will be compared with ISO 9001:2008. TQM practices in PT Bank

Pembangunan Daerah Sumatera Barat will be assessed whether it is appropriate or not with all elements in ISO 9001:2008.

### **3.7.2 Total Quality Management indicates the improvement of financial performance of PT Bank Pembangunan Daerah Sumatera Barat when TQM is applied**

Comparison analysis is used to compare financial data and the change of financial performance of PT Bank Pembangunan Daerah Sumatera Barat before and after total quality management practices.

#### **1. Analyze profitability by ROA**

The calculation is below:

$$\text{ROA} = \frac{\text{Net Income after Tax}}{\text{Total Assets}} \times 100\%$$

The higher the ROA, the better company performance in using the assets, and vice versa (Fraser and Ormiston, 2001).

#### **2. Analyze the productivity**

The formula of productivity is below:

$$\text{Productivity} = \frac{\text{Total deposits at the end of year}}{\text{Total number of employee}}$$

### **3.7.3 The implementation of total quality management in Bank PT Bank Pembangunan Daerah Sumatera Barat from customer point of view**

Customer satisfaction analysis is needed in order to know how much the increase of PT Bank Pembangunan Daerah Sumatera Barat performance in satisfying the customers after the implementation of total quality management. The higher the customer satisfaction, the better the quality of service given by PT Bank Pembangunan Daerah Sumatera Barat and the better TQM implemented.

## CHAPTER 4

### ANALYSIS AND DISCUSSIONS

#### 4.1 History and Development of PT Bank Pembangunan Daerah Sumatera Barat

PT Bank Pembangunan Daerah is founded in Padang - West Sumatra on March 12, 1962, under the name PT. West Sumatra Regional Development Bank, notarized by Deed Hasan Qalby no.9 with an initial capital of Fifty Million Rupiah. The establishment of this bank is a manifestation of the idea of the People of Government, Community Leaders and Entrepreneurs of West Sumatra realized the importance of the presence of a regional development bank. The establishment represented by Soelamet Dipowardoyo (at that time was Head of Finance Governor of West Sumatra) and Hadith Didong (community leaders and entrepreneurs). PT. West Sumatra Regional Development Bank, for the first time led by Mr. Drs. Rusman Maamur, as President Director, while the Supervisory Board are Mr Kaharuddin Dt. Rangkayo Basa (Governor of West Sumatra, as the chairman). Role of Government, Community Leaders and Entrepreneurs is a power that then makes the West Sumatra regional development bank can take part and become big.

Start of Operations activities dated 25 April 1962 by decree of the First Deputy Minister for Finance Republic of Indonesia No.BUM/9-44/II. Year 1996 PT. West Sumatra Regional Development Bank started to introduce the Call Name with designation of Bank Nagari West Sumatera

Provincial Regulation No.2 of 1996. In the long journey Bank Nagari has strengthened its steps in building and enhancing trust and reputation in the banking industry. The long journey that has been passed by PT. West Sumatra regional development bank noted and incised proud achievement for the people of West Sumatra in particular. Since its establishment, the management constantly strives to provide added value for all stakeholders, managing the progressive growth of business by sticking to the principle of prudence. West Sumatra Regional Development Bank has consistently maintained a strong capital structure and appropriate risk management as a fortress in anticipation of fluctuations in the economy.

On January 25, 2007, the Extraordinary General Meeting authorize and approve the Articles of Association regarding the change of Legal Entity Regional Bank Company became a Limited Liability Company Limited Liability Company by deed dated February 1, 2007 No. 1 Deed H. Hendri Final, SH which was approved by the Ministry of Justice and Human Rights Republic of Indonesia Number W3-00074th-TH.2007 HT.01.01 April 4, 2007 and last amended by notarial deed H. Final Hendri SH No. 69 dated June 10, 2008 .

On November 27, 2008, we conducted a historic moment in the course of PT. West Sumatra Regional Development Bank is launching the new Corporate Identity PT. West Sumatra Regional Development Bank. With these changes expected to bring a new spirit for the Bank in carrying out activities that contribute positively and better than previous years, also building image is getting stronger.

In line with its development, Bank Nagari which is also the status of Foreign Exchange Bank has instilled commitment to continue to grow and give meaning to the Economic Growth and Welfare in accordance with the assigned mission, Building a Reputation through Reliable Management Team, which offer Professional and dedicated employees.

To realize the ideals of the Bank who became Master in his own country will be realized through network expansion, competing closely with the fixed forward Ethics.

## **4.2 Vision and Mission**

### **Vision:**

*“Regional Development Bank which became known and trusted in Indonesia”*

The vision above means:

1. Bank Nagari has a vision of the future to be known and prominent in Indonesia, with the vision; the Bank Nagari will maintain its reputation and continues to expand its wings.
2. Bank Nagari will maintain the Trust by executing the principles of good corporate governance, providing a satisfactory service and compliance with honesty.

### **Mission:**

1. Contribute to fostering economic growth and prosperity.

#### Mission 1:

Reflect the basis or background which mandated the establishment of the Bank based in the deed of establishment, namely; helped build strong economic activities to improve people's welfare

Meet and maintain the interests of stakeholders in a consistent and balanced.

#### Mission 2:

- a) Bank will continue to run with the principles to fulfill the responsibilities to owners, customers, employees and communities.
- b) Keeping the Bank to grow and develop well and sound.
- c) Providing excellent service.
- d) Provide adequate benefits for shareholders.
- e) Provide maximum benefit to society.

### **4.3 Products of PT Bank Pembangunan Daerah Sumatera Barat**

Bank Nagari offers products and services consist of conventional funding, conventional lending, conventional service and conventional treasury. These are details of products:

#### 4.3.1 Conventional – Funding

##### 1. SAVINGS SIKOCI

Great opportunity to achieve savings raffled prizes twice a year for each depositor Sikoci Bank Nagari.

##### SIKOCI SAVINGS BENEFITS

- a. Improve your benefices.
- b. Services implemented quickly and accurately.
- c. Interest rates attract and compete, calculated on daily balances.
- d. Auto insurance is guaranteed.
- e. The opportunity to obtain a bigger reward, a minimum balance of Rp 100,000, - or the corresponding provisions.
- f. Returns, remittance and transfer are in all local Bank Nagari (System On-line) according to the provisions applicable.
- g. Can be used as a means of payment Electricity Account, Phone Account, Water Account, Money Lecture, United Nations and Other Taxes, Remittance, etc.
- h. Can be withdrawn at any ATM of Bank Nagari or through ATMs throughout Indonesia.

## 2. HAJJ SAVINGS (sun Mabru)

Provide greater convenience and benefits to perform the pilgrimage and Umrah with a comfortable and peaceful.

HAJJ SAVINGS BENEFITS "sun Mabru":

- a. Feel Comfortable and peaceful.
- b. Services quickly and accurately.

- c. Allows you to gain share of Hajj, because On-line with SISKOHAT (Haji Integrated Computerized Systems) Ministry of Religious Affairs of the Republic of Indonesia.
- d. Auto insurance is guaranteed.
  - a. The opportunity to obtain a bigger reward, a minimum balance of Rp 100,000, - or the corresponding provisions.
  - b. Able to attract and deposit and transfer funds in all Offices of Bank Nagari (System On-line) according to the provisions applicable.
  - c. Savers offered three (3) choice of remuneration are:
    - 1) Not want retribution.
    - 2) Require remuneration to add balance Savings.
    - 3) Want retribution but channeled to the foundations or charities designated or given to Bank Nagari.
- e. Savers do not charge for account opening, account closing and monthly administration.

f. Getting a Gift that can support the smooth implementation of your pilgrimage.

### 3. Current Account

Current account Bank Nagari provide all the convenience for you to transact your business for smooth.

Bank Nagari current account advantage:

1. Improve the image and the bonafides Company / Individual.
2. Payments implemented quickly and precisely.
3. Demand deposits in Rupiah and Foreign Exchange.
4. Services Current account compete.
5. Simplify the payment to:
  - a. All of Your Business Transactions.
  - b. Account of Electricity, Telephone, Water, etc. Money Lecture SPP.
  - c. The UN and other taxes.
6. Remittance (transfer) Domestic and Foreign Affairs.
7. Facilitate the provision of Reference Banks and Bank Guarantee.
8. Can be withdrawn and paid-up and entry in all the offices of Bank Nagari (On-line systems) in accordance with regulations.

### 4. DEPOSITS

Saving money in a certain period in Bank Nagari make you feel safe and secure.

Advantage Bank Nagari Depoits:

1. Improve the image and your benefices as Depositor (the owner).
2. Services that quickly and accurately.
3. Deposits in Rupiah and Foreign Exchange.
4. Deposit Interest negotiable and competitive.
5. Interest can be taken every month or transferred into your savings account post the.
6. Duration can be selected one month, 3 months, 6 months, 12 months and 24 months.
7. The extension automatically.
8. Can be used as a Guarantee Credit (Guarantee Credit Deposit / KJD).

## 5. SAVINGS SIMPEDA

Savings in Bank Nagari collaborate with the Regional Development Bank of Indonesia (BPDSI).

### SIMPEDA SAVINGS BENEFITS

1. Improve reliability savers.
2. Service is fast and right.
3. Interest competes, calculated on daily balances.
4. Lottery prizes, 2 (two) times a year.

5. The opportunity to obtain a large enough reward.
6. Able to attract and deposit and transfer funds in all Offices of Bank Nagari (System On-line) according to the provisions applicable.
7. Can be used as a means of payment Electricity Account, Phone Account, Water Account, Money Lecture, United Nations and other taxes, Remittance, etc.
8. Can be withdrawn at Nagari Bank "ATM Bersama" and ATM throughout Indonesia.

## 6. SAVINGS Tabanas

### 4.3.2 Conventional – Lending

### 4.3.3 Conventional – SERVICE

#### 1. ATM Card Bank Nagari

Providing eases anytime and anywhere for those of you who become savers savings SIKOCI, SIMPEDA and Tabanas.

Advantage Bank Nagari ATM CARD:

- a. Improve your benefices.
- b. Cash Advance Bank Nagari in all ATMs and ATM "ATM Shared".
- c. Transfer between accounts and between accounts of Bank Nagari "Bank ATM Bersama" participants.

- d. Postpaid bill payment and Hallo Flexi Card.
  - e. Refill credit of Simpati cards and As.
  - f. Zakat Payment On-line to the account Amil Zakat Agency.
  - g. Information Savings balance (SIMPEDA, SIKOCI, and Tabanas).
  - h. Administrative costs according to regulations.
  - i. Service 24-hour On-line throughout the Nagari Bank ATM by using high technology and connect with tens of thousands of “ATM Bersama” and dozens of Banks.
2. SMS Banking Bank Nagari

SMS Banking is a product of technology-based mobile banking service that provides easy perform various banking transactions

SMS BANKING FEATURES of Bank Nagari :

- 1. Balance Information
- 2. Transfer / Transfer
- 3. Statement Inquiry

#### 4.3.4 Conventional – TREASURY

#### 4.4 Organizational Structure of PT Bank Pembangunan Daerah Sumatera Barat

Below is the organizational Structure of PT Bank Pembangunan Daerah Regional Office Padang.

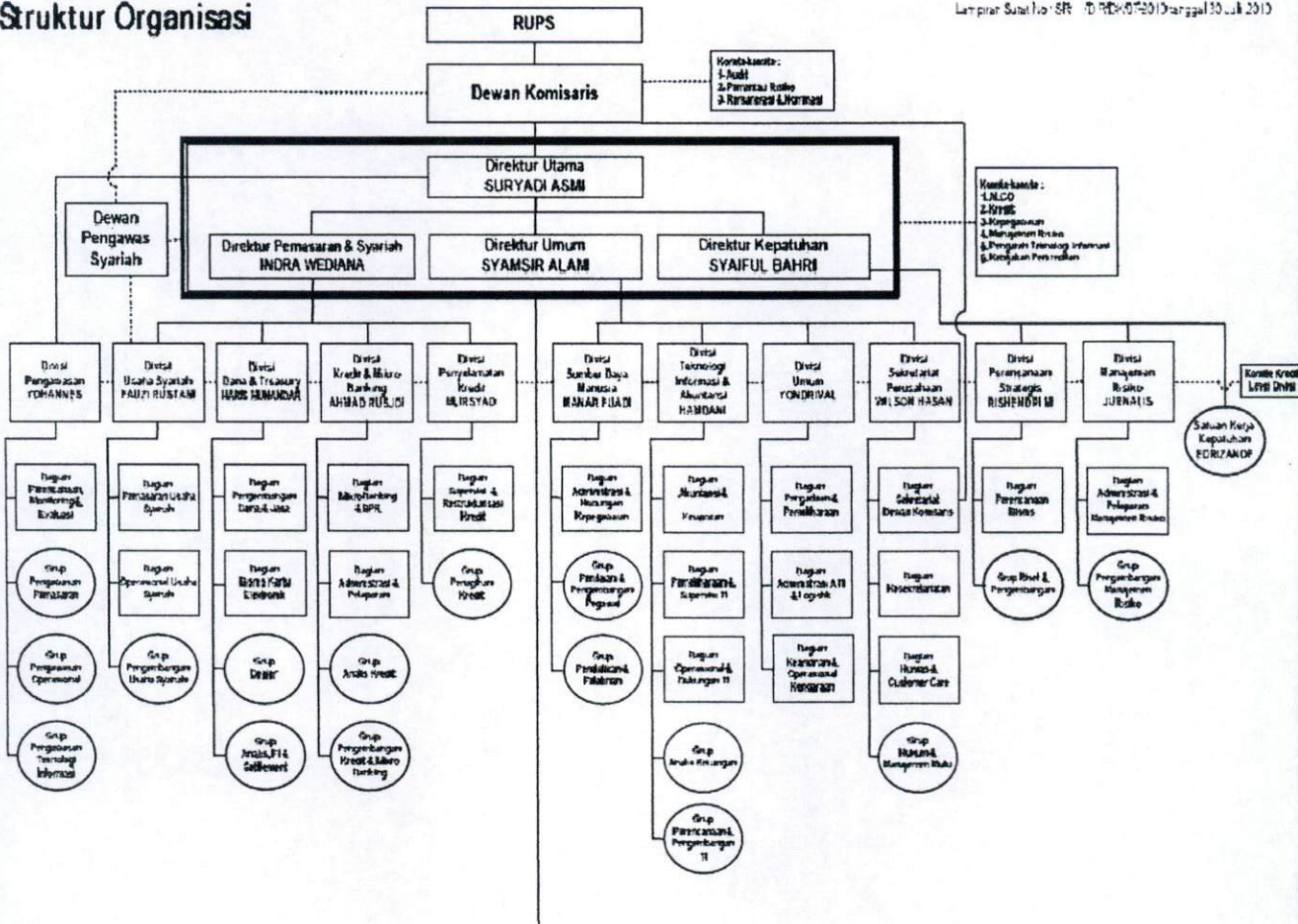
Figure 4.1

Organizational Structure



### Struktur Organisasi

Lampiran Surat No: SR / D/DP/07/2013 tanggal 30 Juli 2013



## 4.5 Respondent Profiles

The questioners distributed to customers is completed with the personal detail or information of the respondents.

### 4.5.1 Customers Profiles

The personal information asked to the respondents which are the customers of PT Bank Pembangunan Daerah are; gender, age, educational level, and monthly earning. Knowing those personal information will emphasize that the questioners are filled by the representative customers. The customers with various criteria represents not only one group of customers but almost all of them.

**Table 4.1 Customers Profiles Summary**

No.	Demography	Total	Percentage
1.	Gender		
	a. Male	44	44%
	b. Female	66	66%
2.	Age		
	a. 18- 25	7	7%
	b. 26-30	16	16%
	c.31-35	19	19%
	d. > 35	58	58%
3.	Educational level		
	a. Elementary	-	-
	b. Junior High	1	1%
	c. Senior High	13	13%
	d. Bachelor	44	44%
	e. Graduate	38	38%
	f. Post Graduate	3	3%
	g. Doctoral	1	1%
4.	Monthly Earning		
	a. <Rp1.500.000	1	1%
	b. Rp1.500.000-Rp3.000.000	35	35%
	c. RpRp3.000.000-Rp5.000.000	59	59%
	d. >Rp5.000.000	5	5%

From the information above, we can see that the questioners were filled by various group of customers. Things to be recognized are age, the educational level and monthly earnings. We can see that 44% questioners were filled by customers who have academy degree. The customers with fix monthly earning filled the questioners the most, with the earnings range of Rp1.500.000 until Rp3.000.000, while more than 50% of respondents are already above 35 years old. By those criteria of the customers, it is concluded that the questioners were filled by the appropriate respondents.

## **4.6 Data Analysis**

### **4.6.1 Customer Questionnaire Analysis**

Customer satisfaction shows the quality of service given by PT Bank Pembangunan Daerah Sumatera Barat to its customers. To know this, the questioners are distributed to 100 respondents (customers). The result of questionnaires in table 4.2 shows the customer questionnaire statements and the average mean for each statement. From Table 7 it is noted that the customers:

- Agree that PT Bank Pembangunan Daerah Sumatera Barat has modern technical equipments that are necessary in developing the level of provided service and plays an important role in the continuity of the banking operational. Thus they agree that the A.T.M services

introduced by Bank Nagari are appreciable and that this service helps in save their times and facilitate their deal with the banks.

- Agree that PT Bank Pembangunan Daerah Sumatera Barat deliver on their promises, although the agreement on this component of quality management was less as compared to many other criteria. The lack of promises delivery may be due to the bureaucracy procedures that exist in some banks and that any new step or procedure must be approved from upper management. It can be seen that the means trend for the customers' answers starts to decrease when the statement are concerned with the bank inside procedures.
- Agree that PT Bank Pembangunan Daerah Sumatera Barat is reliable and does have good documentation that customers can depend on.
- Agree that PT Bank Pembangunan Daerah Sumatera Barat employees are qualified. Customers also believe that they receive immediate services and that the employees and the bank management care for their needs. This reflects the fact that customers feel that they are the focus of the bank operation, which satisfies an important criterion in the TQM implementation process. Customers also agree that the PT Bank Pembangunan Daerah Sumatera Barat take into consideration their suggestions to improve financial services quality and that PT Bank Pembangunan Daerah Sumatera Barat management takes care in trying to solve their problems.

- Agree that PT Bank Pembangunan Daerah Sumatera Barat employees are trust worthy. This trust is necessary because the customer will deal with PT Bank Pembangunan Daerah Sumatera Barat.
- Agree that PT Bank Pembangunan Daerah Sumatera Barat working hours are suitable for customers.
- Generally customers agree that PT Bank Pembangunan Daerah Sumatera Barat offers financial service with a good quality level and about the continuous effort to improve the provided services. The mean of these statements was quite good and can be acceptance.

**Table 4.2****Result for the customer questionnaire statements with their respective means**

No	Sentence	Mean
1	The A.T.M services help to save time and facilitate service achievement.	3.45
2	The bank management has accurate documentations.	3.64
3	The bank has a modern techniques equipments	3.65
4	I can depend on the management of the bank that I deal with.	3.52
5	I trust the bank employees that I deal with.	3.78
6	The general appearance of the bank compatible with the offered services.	3.82
7	When the bank management promises their customers to do anything on a specific time it do it.	3.9
8	The bank employees know the customer needs	3.7
9	The bank has a continuous improvement in its financial services quality.	3.64
10	The bank has high-qualified employees.	3.65
11	If the customers have any problems, bank management would support them.	3.52
12	The bank employees always have the will to help the customers.	3.78
13	The bank has economic counselors with high experience.	3.65
14	The bank introduces the quality importance of the financial services.	3.76
15	The bank management considers the suggestions and comments of the customer on their financial services quality.	3.5
16	The bank management put the upper benefit for the customers in their care.	3.9
17	The bank provides financial services with high quality and low cost.	3.82
18	The bank interest loans provided are lower than the other banks.	3.9
19	The bank services are better than the other bank services	3.7
20	The working times of the bank suit all the customers.	3.52

The result of the survey is 73.8% customer satisfaction of PT Bank Pembangunan Daerah Sumatera Barat that shows good percentage of customers satisfaction. But from the percentage of satisfaction criteria, company needs to take more concern on this variable. More customers are “approximately agree” than “agree” and “highly agree”.

To know the validity and the reliability of the result of the survey, the validity and reliability tests are conducted using SPSS 16. All the items in the questioners distributed to customers have corrected item-total correlation bigger than 0.3, so the items are valid. For the reliability, the cronbach-alpha is 0.905. Since it is bigger than 0.7, the questioner is reliable.

#### **4.6.2 The Result of implementation of total quality management practices in PT Bank Pembangunan Daerah Sumatera Barat**

Total quality management practices has implemented in PT Bank Pembangunan Daerah Sumatera Barat since 2009. PT Bank Pembangunan Daerah Sumatera Barat implemented total quality management program based on company characteristics. For increasing the quality and continually improvement, according ISO 9001: 2008 there are eight principles of TQM. On the basis of these points, the analysis proved the TQM is well implemented in PT Bank Pembangunan Daerah Sumatera Barat:

1. Customer Focus

The customer is a main point of TQM; the major point of this customer focus is to meet customer needs, which results in satisfaction. However, it is not easy to focus all the processes of PT Bank Pembangunan Daerah Sumatera Barat on satisfy its customers. But it is obvious that if customer focus is achieved and customer expectations are met then this procedure leads to satisfied customers.

As a form of the seriousness of the Bank in serving the customer, the Bank has a Customer Care Section Public Relations and Corporate Secretary, who examine below with one of the main function is to handle suggestions and complaints from customers ranging from records, administrative documents and analyze every suggestion and complaint and then seek completion solutions.

To improve the quality of service to clients, PT Bank Pembangunan Daerah Sumatera Barat minimizes the occurrence of complaints or claims caused disputes between customers and the Bank. To achieve high customer acquisition, PT Bank Pembangunan Daerah Sumatera Barat conducted the following programs in order to make PT Bank Pembangunan Daerah Sumatera Barat can be better known and to market faster new products and services have a competitive value:

1. Do a good new product development and fund raising products lending scheme.
2. Optimize the service through the expansion of branch network to intensify the promotion of planned and directed.

3. Improving the quality of physical evidence such as quality customer service and technology to support operational activities of PT Bank Pembangunan Daerah Sumatera Barat.

PT Bank Pembangunan Daerah Sumatera Barat also has implemented customer's satisfaction survey that is one of requirement to get the certification of ISO 9001: 2008. PT Bank Pembangunan Daerah Sumatera Barat has got certification of ISO 9001: 2008 twice on May 2010 and March 2011. After customer satisfaction survey, PT Bank Pembangunan Daerah Sumatera Barat maps the result of customer satisfaction of each PT Bank Pembangunan Daerah Sumatera Barat branches. The result of customer satisfaction survey is discussed in quality management system meeting with all board of commissioners of PT Bank Pembangunan Daerah Sumatera Barat. PT Bank Pembangunan Daerah Sumatera Barat has evaluated customer satisfaction survey and doing improvement for some branches that have quite bad in satisfying customers to provide products and services.

PT Bank Pembangunan Daerah Sumatera Barat always test and control whether their performance still meets customer demands and is therefore consistent with their quality goals. By means of these results PT Bank Pembangunan Daerah Sumatera Barat adjusts and improves their customer concentration. PT Bank Pembangunan Daerah Sumatera Barat have goal for achieving 80% from customer expectation and customer satisfaction each year. Evidence of an overall good customer

focus is seen in the fact that PT Bank Pembangunan Daerah Sumatera Barat reached a score of 75 % is relatively high customer satisfaction.

## 2. Leadership and Management Commitment

The commitment of every employee is a critical point of TQM implementation. PT Bank Pembangunan Daerah Sumatera Barat with high top management commitment implemented the characteristics of TQM in a proper way. Top-management of PT Bank Pembangunan Daerah Sumatera Barat is much more reliable to the majority PT Bank Pembangunan Daerah Sumatera Barat employees when trying to introduce a new policy. PT Bank Pembangunan Daerah Sumatera Barat offered specialized training courses in order firstly to convince PT Bank Pembangunan Daerah Sumatera Barat employees of the advantages of quality management system and secondly PT Bank Pembangunan Daerah Sumatera Barat demonstrates to their employee with practical ways of implementing it in organizational performance.

PT Bank Pembangunan Daerah Sumatera Barat as intermediary institution always tries to improve the quality in banking services for quality goals "CITRA" (Quick, Integrity, Careful, Friendly and Enthusiastic). For supporting management commitment, PT Bank Pembangunan Daerah Sumatera Barat has decided to implement quality management system which used ISO 9001:2008 with the following quality policies:

- Provide high quality of banking service with “CITRA” (Quick, Integrity, Careful, Friendly and Enthusiastic)
- Encourage all employee to increase professionalism and always responsible in doing the task
- Improve system and working environment continuously for achieving quality goals of services and customers satisfaction
- Obey the regulations and other requirements.

### 3. Factual approach

PT Bank Pembangunan Daerah Sumatera Barat has identified that the involvement of employees influence for decision-making. PT Bank Pembangunan Daerah Sumatera Barat vision and mission is clear and every employee works towards the right direction, which is customer satisfaction. By involving all employees, it creates an environment in which employees have the ability, the confidence, and the commitment to take the responsibility and ownership to improve the process and initiate the necessary steps to satisfy customer requirements within well-defined boundaries in order to achieve Bank Nagari values and goals. PT Bank Pembangunan Daerah Sumatera Barat employees have ability for taking corrective action and making effective decision after analyzing data and information based on fact.

### 4. Involvement of people

The involvement of everyone within PT Bank Pembangunan Daerah Sumatera Barat in quality improvement goes one step further. PT Bank Pembangunan Daerah Sumatera Barat can use the knowledge of their employees and improvements are done by employee who really works with the processes. Teams within PT Bank Pembangunan Daerah Sumatera Barat help employees become involved in issues that were previously top-management's responsibility. As team work, PT Bank Pembangunan Daerah Sumatera Barat employees know how to better incorporate their skills in day-to-day work tasks, and thus, they can exercise better judgment and a sense of responsibility. Besides direct quality improvements, teamwork focuses on safety, efficiency and the work environment. The identified problems are solved by the employees on their own or are communicated to the management. In a TQM context the whole PT Bank Pembangunan Daerah Sumatera Barat cares about quality improvement and not just in a departmentalized way. In this respect, PT Bank Pembangunan Daerah Sumatera Barat has had cross-functional work groups that will deal with inter-departmental management problems.

Total quality management considers training and education as investments. This shows that training and education is connected with costs. TQM and training are properly implemented in PT Bank Pembangunan Daerah Sumatera Barat, they have a positive influence on job involvement, job satisfaction, and career satisfaction.

To support the business development and competition, PT Bank Pembangunan Daerah Sumatera Barat is always concerning to the improvement of employee's ability and professionalism as the effort to creates a smart employee, skilful, and have integrity to the bank.

To create conducive work atmosphere and increases employee senses of belonging to the Bank, continuously and appropriate with Bank's ability, there was done the employee prosperity through a better salary, production service, and other incidental payments.

In order to develop the competence of staff through improved understanding of the knowledge, skills, intellectual processes, managerial skills, service, loyalty, compliance and supervision, PT Bank Pembangunan Daerah Sumatera Barat took focus the realization of plans and training programs in the form training, workshops, socialization, and seminars. Bank has conducted education and training programs in-house training or out house training in various areas such as training, implementation of SFAS 50 & 55 (Revised 2006), Total Service Quality, Trade Services & Trade Finance, Basic Banking, Funding Officer, Credit Audit, Internal Audit, Investigations Audit, Secondary Reserve Management, Restructuring of NPLs, Study Contract Law Case & Procurement, Public Relations & Strategic Communications for BPD, Risk Management Certification, SESPIBANK, First Line Managers, etc. with actual costs training amounted to 5.22% of personnel costs.

PT Bank Pembangunan Daerah Sumatera Barat employees receive training in the areas of quality in order to create quality awareness and focus on customer. PT Bank Pembangunan Daerah Sumatera Barat has succeeded to establish in house training, out house training, magister program, comparison study program, abroad education, workshop, and seminar. PT Bank Pembangunan Daerah Sumatera Barat spends a lot of money on training and education, thus, PT Bank Pembangunan Daerah Sumatera Barat always check whether training is meeting strategic goals.

Total number of employees increased from year 2009 to year 2010 in PT. Bank Pembangunan Daerah Sumatera Barat

**Table 4.3**

**Total Number of Employees in Bank Nagari**

Level	2009	2010
Vice President	15	15
Assistants Vice President	63	67
Manager	227	227
Officer	323	349
Clerk	737	825
Total	1365	1483

5. Process Approach

A process orientation is mandatory when focusing on customers. Total Quality Management tries to cut valueless processes in Bank PT

Bank Pembangunan Daerah Sumatera Barat to improve customer outcome. By being process orientated, PT Bank Pembangunan Daerah Sumatera Barat is able to concentrate on core process and integrate outsourced process partners in their customer focus. PT Bank Pembangunan Daerah Sumatera Barat has made standardization of internal processes and procedures effectively.

#### 6. System Approach to Management

By identifying, understanding and managing all interrelated processes as a system, it will contribute to PT Bank Pembangunan Daerah Sumatera Barat effectiveness and efficiency in achieving its objectives. The use of appropriate tools and techniques and their regularly review is essential for quality management. PT Bank Pembangunan Daerah Sumatera Barat often uses quality audits which are required by ISO. PT Bank Pembangunan Daerah Sumatera Barat emphasizes the importance of tools and techniques in combination with other TQM characteristics. The TQM only works if all points are considered. For PT Bank Pembangunan Daerah Sumatera Barat, it is important to use system approach to implement a valuable TQM where the employees are empowered. PT Bank Pembangunan Daerah Sumatera Barat has reviewed the systems that is used for improving the quality of services and products.

SPC is a statistical method through which head of division or managers in PT Bank Pembangunan Daerah Sumatera Barat can control the service delivery process. PT Bank Pembangunan Daerah

Sumatera Barat also used the second technical aspect of TQM is the *ISO 9000 Series*. This set of standards ensures that PT Bank Pembangunan Daerah Sumatera Barat has a specific quality improvement policy, which makes it more competitive in banking industry.

## 7. Continuous Improvement

Continuous improvements have a direct and main influence on quality. It is not a tool or technique it is more a result of other TQM characteristics. Small improvement steps can have a big impact on the overall quality performance in PT Bank Pembangunan Daerah Sumatera Barat. PT Bank Pembangunan Daerah Sumatera Barat strongly depends on its employees. PT Bank Pembangunan Daerah Sumatera Barat receives more improvement suggestions by its workers. This means that on average every employee comes up with new suggestions to improve the processes involved in their work, products and services. Trainings and education, teams and teamwork as well as goal setting, measurement and feedback boost continual improvements in PT Bank Pembangunan Daerah Sumatera Barat.

PT Bank Pembangunan Daerah Sumatera Barat has established QMR and KORAMI as a quality council, which is the driver, to ensure that improvement is continuous and never-ending. Quality improvement can be achieved because PT Bank Pembangunan Daerah Sumatera Barat has developed a management philosophy of continuous improvement for supporting organizational performance.

3. To socialize and to ensure increased awareness about the importance of meeting customer needs to the entire organization.

**Internal Quality Audit Coordinator (KORAMI)**

1. Prepare audit programs and ensuring internal quality audit program can be run.
2. Selecting a competent auditor for the function to be audited.
3. Helps to solve problems encountered in the implementation of the audit.
4. Quality Management System Implementation Team
5. Develop quality system documentation.
6. Oversee the implementation of the quality system.
7. Helps to solve problems in the implementation of quality systems.
8. Conduct internal quality audits according to schedule.
9. Implement corrective and preventive actions.

For achieving Bank Nagari goals, there are some policies which are needed to support continually improvement:

- a. The policies underlying the determination of the projected growth in the Bank's financial year 2011
- b. The policy for development of Operational network, consisting of the Branch Office, Treasury, Payment Point, ATM networks, and others which are include the network will consider the potential

Job descriptions and responsibilities of quality management systems (ISO 9001:2008) as follows:

**Steering Committee**

1. Establish and appoint a management representative, the project team, communication functions, monitoring functions, coordinator of internal quality audits and internal quality audit team.
2. Monitor the implementation of the project improvement through joint meetings with representatives of management and quality management system implementation team.
3. Making important decisions related to the implementation of quality management which is authority steering committee.
4. Providing guidance in order to resolve problems that arise in the implementation of the system quality management.
5. Evaluate and validate documents that are the responsibility of steering committee.
6. Attend management review meeting.
7. Select and determine the certification bodies.

**Management Representative (QMR)**

1. Ensuring that processes needed in the quality management system are established, implemented and maintained.
2. To report the performance of quality management system and the necessary repairs to management.

region, time consuming to achieve Breakeven Cost and benefit ratio as well efficiency in operational of the Branch.

c. Development of Bank's Product and Service build the Brand

Image by:

- Introducing Credit Products, Other Bank Services Fund through an optimal promotion of program
- Developing the program Promotion of Employee get Customer and Customer get Customer to improve the customer base while increasing public funding sources with low cost and settle for a relatively long period of time, so that in the long term the Bank will avoid the liquidity risk.
- Making a joint product and co branding with other institutions to provide extra service to our customers and make product modifications savings.

d. In terms of development services, the bank will review the possibility of providing special services for Priority Banking in order to provide excellent services especially on customer priority.

e. In the field of human resource development, bank will develop human resources with the orientation to knowledge and skilled based employees, the development of a more progressive career network to bridge the gap of knowledge between the grade in the staffing system and the development of culture "Market, Customer and Target oriented cultures".

f. Development of Information Technology will continue to be done by strengthening the core banking system, make it more responsive to changes in the banking authority regulation and improved its service to customers.

#### 8. Mutually Beneficial supplier relationship

Vendors and suppliers provide a critical service for PT Bank Pembangunan Daerah Sumatera Barat. This service allowed PT Bank Pembangunan Daerah Sumatera Barat to focus on building products and services that add value to PT Bank Pembangunan Daerah Sumatera Barat customers. Healthy Vendors and suppliers relationships are important to create mutual benefit form relationship. The supplier relationship is one of the main features of total quality management approach at PT Bank Pembangunan Daerah. It is essential that all staff understand that the Bank is in effect a series of suppliers groups that make up the totality of services provided by PT Bank Pembangunan Daerah Sumatera Barat to its various suppliers.

Building a strong partnership has been PT Bank Pembangunan Daerah Sumatera Barat goal when selecting vendors and suppliers. The selection, cultivation, and building of PT Bank Pembangunan Daerah Sumatera Barat vendor and supplier relationship be continue process that strives to balance PT Bank Pembangunan Daerah Sumatera Barat needs with the needs for partners. Those needs have aligned so that PT Bank Pembangunan Daerah Sumatera Barat partnership with vendors and suppliers are successfully created. Some examples of vendors and

suppliers for Bank Nagari are Iwan Perdana for cleaning services, AMP for driver outsource, security, truck for car services, etc.

#### **4.6.3 The improvement of PT Bank Pembangunan Daerah Sumatera Barat financial performance when total quality management is applied**

The results of implementation of TQM in a performance include not only customer satisfaction but also financial development. Two financial development indicators were used are profitability and productivity

1. The indicator were used in order to get profitability of PT Bank Pembangunan Daerah Sumatera Barat is Return on assets, which is the result after financial income and financial costs. This indicator is, according to Hendricks and Singhal (1997), an efficiency indicator, which is based on the assumption that implementing an effective TQM program increases revenues.

To investigate the development of financial performance PT Bank Pembangunan Daerah Sumatera Barat, an improvement between the implementation before TQM period and the post implementation TQM period has shown a change in financial performance of PT Bank Pembangunan Daerah Sumatera Barat. However, the differences between the two periods are quite large. For analyzing financial performance of PT Bank Pembangunan Daerah Sumatera Barat, Return on Asset (ROA) is used for the

computation. Return on Assets is the comparison of net profits with total asset. The formula for ROA is followed:

$$ROA = \frac{\text{net profit}}{\text{total asset}} \times 100\%$$

Here is the total asset of PT Bank Pembangunan Daerah Sumatera Barat from 2006 - 2010 in table:

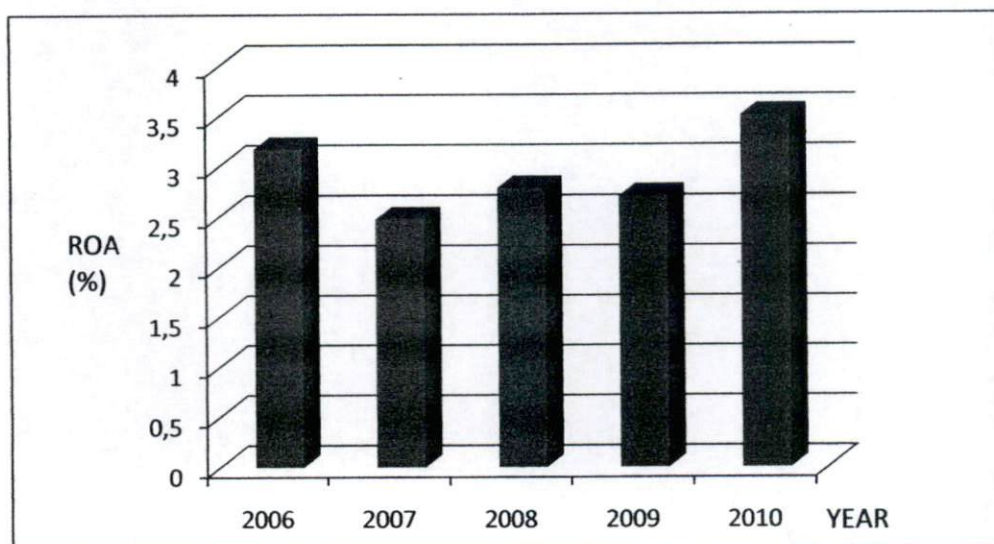
**Table 4.4**  
**Total Assets of Bank Nagari (in thousand)**

Year	Total Assets (Rupiah)
2006	5.455.413.988.000
2007	6.403.553.067.000
2008	6.801.696.863.000
2009	8.138.693.445.000
2010	10.307.541.060.000

For understanding the changes of return on asset in PT Bank Pembangunan Daerah Sumatera Barat since 2006 until 2010 so that this table is provided in slender diagram.

**Figure 4.2**

**The Changes of Return on Assets**



Based on table above, ROA decreased from year 2006 to 2007 and increased from year 2009 to 2010. It might be caused the decrease of product and services quality, the lower customer acquisitions, the decrease of net profit of PT Bank Pembangunan Daerah Sumatera Barat so that it shows financial performance also declined in 2006-2007. After implementing total quality management in 2009, it caused the quality of products and services better, got higher customers satisfaction and the net profit of PT Bank Pembangunan Daerah Sumatera Barat increased. PT Bank Pembangunan Daerah Sumatera Barat shows a significantly higher return of assets during the post implementation period of TQM in 2009-2010. Also, the indicators the return on assets show that PT Bank Pembangunan Daerah Sumatera Barat outperforms during the post implementation period. This research indicates that the financial performance become more advantageous for PT Bank Pembangunan Daerah that has successfully implemented TQM.

2. Another financial development indicators were used here is productivity. Productivity is the quantity of necessary resources required to produce one unit from the total production and it is measured quantitatively by:

$$\text{Productivity} = \frac{\text{Total Deposits At The End Of Year}}{\text{Total Number of Employees}}$$

Here is the total deposits and total number of employees of PT Bank Pembangunan Daerah Sumatera Barat from 2006 -2010 in table:

**Table 4.5**

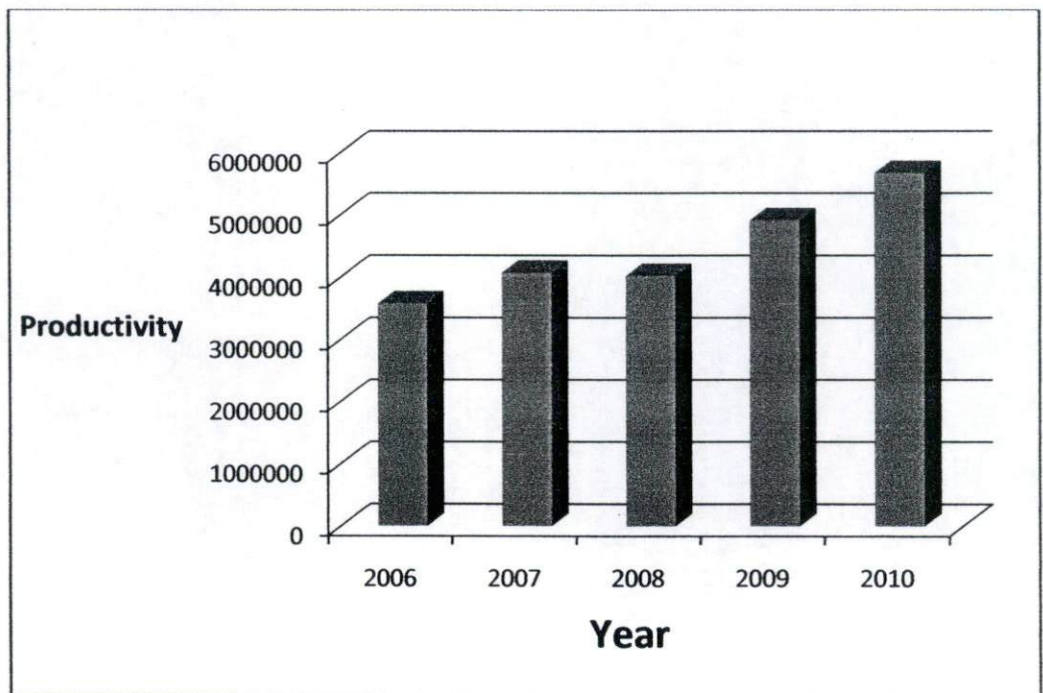
**Total Deposits (in thousand) and Number of Employees**

Year	Total Deposits	Total Employee
2006	4.306.785.164	1.201
2007	5.301.170.675	1.299
2008	5.349.113.946	1.327
2009	6.737.982.357	1.369
2010	8.429.299.158	1.483

For understanding the changes of productivity in PT Bank Pembangunan Daerah since 2006 until 2010 so that this table is provided in slender diagram.

**Figure 4.3**

**The Changes of Productivity of Bank Nagari**



Based on table above, productivity decreased from year 2007 to 2008 and increased significantly from year 2009 to 2010. The decrease of products and services quality and employee satisfaction might be the reason why productivity is lower in 2007-2008. PT Bank Pembangunan Daerah Sumatera Barat shows a significantly higher productivity than during the post implementation period of TQM in 2009-2010. Productivity indicates that the financial performance increased in PT Bank Pembangunan Daerah after successfully implemented TQM.

## CHAPTER 5

### CONCLUSION

#### 5.1 Conclusion

Based on the implementation of total quality management practices using ISO 9001:2008 conducted in PT PT Bank Pembangunan Daerah Sumatera Barat, the conclusions are:

1. The implementation of Total Quality Management practices in PT Bank Pembangunan Daerah Sumatera Barat is effective and well implemented. PT Bank Pembangunan Daerah Sumatera Barat has implemented all Total Quality Management principles: customer focus, leadership, involvement of people, process approach, system approach to management, continual improvement, factual approach to decision making and mutually beneficial supplier relationships. Total quality management practices give positive impact for Bank PT Bank Pembangunan Daerah Sumatera Barat. Based on survey, interview and questioner have shown that PT Bank Pembangunan Daerah Sumatera Barat performance has improved, operational activities run well, review and evaluation are done frequently, employees are responsible and do their job, communication among employees are good so that working environment become more comfortable. By implementing total quality management practices, it can help PT Bank Pembangunan Daerah Sumatera Barat to improve more in organizational Bank performance and generate more profits.

2. Customer point of view about the implementation of total quality management in PT Bank Pembangunan Daerah Sumatera Barat. The application of Total Quality Management to the PT Bank Pembangunan Daerah Sumatera Barat from the customer points of view is good implemented. For the customer satisfaction, customers appear to have good level of satisfaction towards the services given by PT Bank Pembangunan Daerah Sumatera Barat. The result of the survey is 73.8% customer satisfaction of PT Bank Pembangunan Daerah Sumatera Barat that shows quite high percentage of customers satisfaction.
3. The implementation of TQM to the improvement of financial performance, there are improvement in profitability and productivity of PT Bank Pembangunan Daerah Sumatera Barat. PT Bank Pembangunan Daerah Sumatera Barat shows a higher return of assets in 2009 - 2010 as much 8% than before implementation period of TQM. The productivity of PT Bank Pembangunan Daerah Sumatera Barat also increased more in 2009 - 2010 if it is compared with productivity of PT Bank Pembangunan Daerah Sumatera Barat before implementation of TQM practices. Higher profitability and productivity more optimize of human resources and more satisfied customer it means TQM practices have successfully implemented in PT Bank Pembangunan Daerah Sumatera Barat.

## **5.2 Limitation of the Research**

This research has some limitations, which are:

1. The data required in this research can not be fully obtained, so the result may be affected by these circumstances. The limitation of data is obtained because some data cannot be used for public. So that, the writer has a limitation to analyzing the data more widely used TQM with ISO 9001: 2008 .
2. The subjectivity of the result of the questioners as the risk of dealing with people to get the primary data.

## **5.3 Implication of research**

In the current competitive environment, PT Bank Pembangunan Daerah Sumatera Barat have adopted innovative strategies to ensure continuous improvement through which PT Bank Pembangunan Daerah Sumatera Barat can satisfy the needs of critical customers and meet their highly changing expectations. That means that PT Bank Pembangunan Daerah Sumatera Barat should offer high quality services. The bank customers, bank staff and management must work together to achieve the quality standard expected of them by the baking public. It has been always emphasized that PT Bank Pembangunan Daerah Sumatera Barat has been customer-oriented. Customers have been playing the vital role for banks. The critical demand of quality-conscious and innovation attracted customers has forced PT Bank Pembangunan Daerah Sumatera Barat to organize changes to get well the customers requirements.

PT Bank Pembangunan Daerah Sumatera Barat have to seek strategies to achieve a competitive edge that enable them to satisfy internal as well as external customers. PT Bank Pembangunan Daerah Sumatera Barat has been greatly emphasized that the roles of top management support and commitment to the successfulness of TQM initiatives. Finally, The writer hopes that proposed framework for the TQM implementation on the branch levels of PT Bank Pembangunan Daerah Sumatera Barat emphasizing on the role of branches in creating excited employees and satisfied customer.

### 5.3 **Recommendation**

The following suggestions are recommended for PT Bank Pembangunan Daerah Regional Padang to fully reap the full benefits of TQM:

1. To strengthen the achievement of the quality goals in PT Bank Pembangunan Daerah Sumatera Barat, top management should continue to monitor the progress of TQM.
2. PT Bank Pembangunan Daerah Sumatera Barat should improve company wide awareness of TQM through seminar and workshop.
3. Employees' quality awareness and involvement through well-developed programmed should be given wide publicity.
4. Review procedures should be established PT Bank Pembangunan Daerah Sumatera Barat.
5. Quality improvement strategy should be evolved to cover all the aspect of banking transaction.

6. International Quality standard like the ISO 9001: 2008 could be invented to judge the acceptability of the service of the commercial banks.

For doing further research, things suggested are:

1. To expand the scope of research by comparing TQM practices in one bank with another.
2. To require more complete data in order to give more accurate result and to complete other variable measurements stated in the limitation of the research.
3. To create more detail questions in questioners to lessen the subjectivity of the respondents.

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# IKHTISAR DATA KEUANGAN PENTING

## INFORMASI KEUANGAN SELAMA 5 TAHUN

(dalam ribu)

	5.455.413.988	6.403.553.067	6.810.696.863	8.138.693.445	10.307.541.060
	4.943.402.327	5.610.191.270	6.394.128.452	7.684.190.242	9.518.372.398
	2.983.906.913	4.021.279.060	5.000.320.531	5.910.685.440	7.115.542.738
	4.902.531.815	5.778.962.767	6.116.773.808	7.389.196.029	9.376.189.695
	4.306.785.164	5.301.170.675	5.349.113.946	6.737.982.357	8.429.299.158
	2.074.810.685	2.305.517.576	2.330.056.035	2.517.448.915	1.927.549.140
	1.147.813.717	1.785.098.117	1.754.394.865	2.204.696.400	2.510.657.809
	1.084.160.762	1.210.554.982	1.264.663.046	2.015.837.041	3.991.092.207
	552.882.173	624.590.299	693.923.056	749.497.415	931.351.364
	489.408.000	559.448.000	632.245.000	677.305.000	805.472.000
	38.770.000	37.794.000	46.215.000	53.348.000	65.080.000
	143.594.469	335.552.000	367.868.000	368.552.000	427.241.000
	191.958.352	42.916.453	36.817.357	43.692.236	15.237.237
	158.473.572	167.182.765	190.638.734	212.771.892	338.023.652
	107.107.663	109.123.241	123.353.530	144.385.425	251.757.673

\*) Disajikan kembali terkait penerapan PSAK 24, PSAK 50 dan PSAK 55

	675.871.605	808.307.044	878.434.853	1.027.022.027	1.390.695.119
	290.159.602	348.761.576	313.980.518	405.175.238	471.962.116
	385.712.003	459.545.468	564.454.335	621.846.789	918.733.003
	15.643.303	21.281.185	26.908.270	29.089.699	38.112.447
	215.461.276	313.643.886	400.723.870	438.164.595	618.821.797
	215.461.276	167.182.765	190.638.734	212.771.892	338.023.652
	155.062.019	166.595.619	191.803.857	216.914.070	337.774.029
	47.954.356	57.472.378	68.450.327	72.528.645	86.016.356
	107.107.663	109.123.241	123.353.530	144.385.425	251.757.673
	36.303	318.516	317.998	356.566	816.409

\*) Disajikan kembali terkait penerapan PSAK 24, PSAK 50 dan PSAK 55

	23,37%	20,08%	18,31%	17,08%	14,13%
	1260,63%	1480,26%	1368,05%	1269,60%	1237,66%
	14,89%	14,82%	14,48%	15,81%	17,49%
	2,37%	2,97%	2,94%	2,59%	2,52%
	3,70%	4,00%	3,66%	3,30%	3,31%
	1,44%	2,31%	2,02%	1,78%	1,14%
	24,23%	20,83%	19,94%	21,08%	32,05%
	3,18%	2,48%	2,79%	2,71%	3,51%
	8,92%	7,72%	9,11%	8,46%	10,43%
	77,08%	79,85%	78,94%	79,85%	76,34%
	69,28%	75,86%	93,48%	87,72%	84,41%
	8,07%	10,00%	5,74%	5,18%	8,00%
	-	-	-	2,50%	2,50%
	0,00%	0,00%	5,68%	4,69%	3,20%
	-	-	0,06%	0,01%	5,38%

\*) Disajikan kembali terkait penerapan PSAK 24, PSAK 50 dan PSAK 55

	1.201	1.299	1.327	1.369	1.483
	1	1	1	1	1
	25	28	29	29	30
	18	17	19	23	34
	28	29	30	29	30
	1	1	7	8	8
	18	18	18	18	18
	34	54	59	76	95

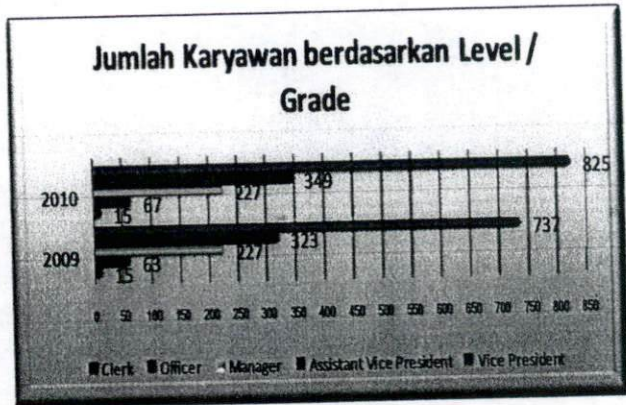
# SUMBER DAYA MANUSIA

## Komposisi Karyawan

Sumber Daya Manusia merupakan asset berharga dalam menjalankan roda bisnis perusahaan. Menyadari esensi tersebut, Bank merasa perlu untuk meningkatkan kualitas dan kuantitas Sumber Daya Manusia. Untuk itu pada tahun 2010, Bank telah melakukan rekrutmen pegawai sehingga sampai dengan Desember 2010 total pegawai PT. Bank Pembangunan Daerah Sumatera Barat berjumlah 1.483 orang dengan rincian pegawai sebagai berikut :

- > Jumlah Karyawan berdasarkan Level selama 2 (dua) tahun terakhir

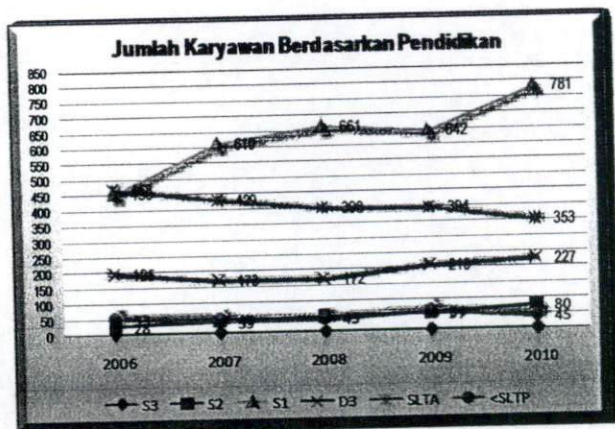
Level	2009	2010
Vice President	15	15
Assistant Vice President	63	67
Manager	227	227
Officer	323	349
Clerk	737	825
Total	1365	1483



Berdasarkan grade, sampai dengan Desember 2010 komposisi pegawai terdiri dari 15 orang atau 1,01% level Vice President, 67 orang atau 4,52% Assistant Vice President, 227 orang atau 15,31% Manager, 349 orang atau 23,53% Officer, 825 orang atau 55,63% Clerk.

- > Jumlah Karyawan berdasarkan pendidikan

Pendidikan	2006	2007	2008	2009	2010
S3	1	1	2	2	1
S2	28	39	49	55	78
S1	456	618	661	648	779
D3	195	173	172	210	227
SLTA	468	429	398	394	353
<SLTP	53	47	45	64	45
Total	1281	1299	1327	1365	1483



Berdasarkan pendidikan, sampai dengan Desember 2010 komposisi pegawai terdiri dari 1 orang atau 0,07% background S3, 78 orang atau 5,26% background S2, 779 orang atau 52,53% background S1, 227 orang atau 15,31% background D3, 353 orang atau 23,80% background SLTA dan 45 orang atau 3,03% dengan background SLTP kebawah.

Bank Nagari telah menerapkan system manajemen mutu (ISO 9001:2008) sejak tanggal 07 Mei 2010. Sistem manajemen mutu tersebut diperoleh dari VNZ (Verification New Zealand). System manajemen mutu pada Bank Nagari dikelola oleh Divisi Sekretariat Perusahaan qg grup hukum & manajemen mutu. Struktur organisasi system manajemen mutu (ISO 9001:2008) berdasarkan Keputusan Direksi Nomor SK/001.A/DIR/TIM/01-2011 tanggal 20 Januari 2011 sebagai berikut:

Pelindung	Direksi PT. BPD Sumatera Barat
Steering Committee	Syamsir Alam (Direktur Umum)
Wakil Manajemen (QMR)	Yondrival (Pemimpin Divisi Sekretariat Perusahaan)
Koordinator Audit Mutu Internal (KORAMI)	Afni Chan (Divisi Perencanaan Strategis)
Anggota	<ul style="list-style-type: none"> <li>▪ Divisi Perencanaan Strategis</li> <li>▪ Divisi Kredit &amp; Mikro Banking</li> <li>▪ Divisi Dana &amp; Treasury</li> <li>▪ Divisi Usaha Syariah</li> <li>▪ Divisi Sumber Daya Manusia</li> <li>▪ Divisi Penyelamat Kredit</li> <li>▪ Divisi Umum</li> <li>▪ Divisi Manajemen Risiko</li> <li>▪ Divisi TI &amp; Akuntansi</li> <li>▪ Divisi Pengawasan</li> <li>▪ Satker Kepatuhan</li> <li>▪ Divisi Sekretariat Perusahaan</li> </ul>

Tugas, wewenang dan tanggung jawab tim implementasi system manajemen mutu (ISO 9001:2008) sebagai berikut:

**a. Steering Committee**

- Membentuk dan menunjuk wakil manajemen, tim proyek, fungsi komunikasi, fungsi pemantauan, koordinator audit mutu internal dan tim audit mutu internal.
- Memantau implementasi kemajuan proyek melalui rapat bersama dengan wakil manajemen dan tim implementasi system manajemen mutu.
- Membuat keputusan penting yang terkait dengan implementasi manajemen mutu yang merupakan wewenang steering committee.
- Memberi arahan dalam rangka menyelesaikan masalah yang timbul dalam implementasi system manajemen mutu.
- Mengevaluasi dan mensahkan dokumen yang merupakan tanggung jawab steering committee.
- Menghadiri rapat tinjauan manajemen.
- Memilih dan menentukan badan sertifikasi.

**b. Wakil Manajemen (QMR)**

- Memastikan proses yang diperlukan dalam system manajemen mutu ditetapkan, diimplementasikan dan dipelihara.
- Melaporkan kinerja system manajemen mutu dan perbaikan yang diperlukan kepada manajemen.
- Melakukan sosialisasi dan memastikan peningkatan kesadaran mengenai pentingnya memenuhi kebutuhan pelanggan kepada seluruh organisasi.

**c. Koordinator Audit Mutu Internal (KORAMI)**

- Mempersiapkan program audit mutu internal dan memastikan program audit dapat dijalankan.
- Menyeleksi auditor yang kompeten untuk fungsi yang akan diaudit.
- Membantu memecahkan masalah yang dihadapi dalam pelaksanaan audit.

Nomor : SR/357/SDM/UM/06-2011  
Lampiran : ---  
Perihal : Persetujuan Penelitian


Padang, 08 Juni 2011


Kepada Yth.  
Bapak Dr. H. Yuskar, SE,MA, Ak  
Ketua Jurusan Akuntansi Fakultas Ekonomi  
Universitas Andalas  
di -  
Padang

Sehubungan dengan surat dari Fakultas Ekonomi Universitas Andalas Nomor 782/H16.5/PP/2011 tanggal 30 Mei 2011 Perihal Permohonan Permintaan Data dalam rangka penyelesaian skripsi atas nama GINA MAYA STEFFANY No. BP 07153133 Program Studi Akuntansi Internasional dengan judul "Fostering The Performance of Bank Through Total Quality Management Practice, Case Study in Bank Nagari Padang", dengan ini kami sampaikan bahwa pada prinsipnya dapat kami setujui sepanjang data yang diminta tidak menyangkut rahasia Bank dan Jabatan.

Untuk maksud di atas diharapkan yang bersangkutan dapat menghubungi Divisi Perencanaan, Divisi Sekretariat Perusahaan dan Divisi Sumber Daya Manusia PT. Bank Pembangunan Daerah Sumatera Barat.

Demikianlah kami beritahukan agar dapat dimaklumi dan atas perhatiannya diucapkan terima kasih.

Divisi Sumber Daya Manusia, 

  
MUHAMMAD IRSYAD  
Pemimpin

Tembusan:

- Divisi Perencanaan
- Divisi Sekretariat Perusahaan
- Divisi Sumber Daya Manusia