Total Quality and Performance Productivity in Romanian Cooperative Banks

Associate prof. Liliana-Aurora CONSTANTINESCU, PhD
"Dimitrie Cantemir" Christian University, Brasov, Romania, lilianauroracon@yahoo.com
Adrian CONSTANTINESCU, PhD student
"Lucian Blaga" University, Sibiu, Romania, adicon85@yahoo.com

Abstract
In this study, the authors intends to approach the concept of quality management at credit institutions as consisting of placing the client in the centre of the units activity and the subordination of all activities to the imperative to fully satisfy him.

These are also presented the conditions involves in fulfilment of the imperatives of total quality programme of European credit institutions.

Key words: Cooperative banks, total quality management, client satisfaction, client fidelity, profit

JEL classification: G01, G21,G23.

1. Introduction
Cooperative banks contribute to financing local economies and have the capacity of meeting the needs of co-operating members and of other clients. They are a moving force of cohesion and social integration and attempt to combat financial exclusion, so that all social categories in the demographic may have access to financial services, without any discrimination.

Cooperative banks equally play an essential part through their staff and collaborators, as the personnel of these banks accounted for 15% of all European employees over the last three years.

Cooperative banks wish to play a decisive role in consolidating the banking sector within the enlarged EU and to offer their clients services that are perfectly tailored to their needs.

Unique in their diversity, cooperative banks have proved that they have the capacity to meet the economic and social needs of the demographic, and of the regions, as well as the requirement to adapt and become actively involved in the development of the European Union.

With specific characteristics, Cooperative Banks are recognised both by national and by European legislation. They are valued by all financial rating agencies and ranked as a real banking force.

Cooperative banks, consisting of 4.600 credit organisations and 65.000 agencies, perform an essential role in the European economic and financial system. One out of every
two banks is a cooperative, and they control 30% of the operations in the banking and financing market.

Cooperative banks have a distinguished tradition in maximising the advantages offered to over 150 million clients and 80 million cooperative members; they also employ over 750,000 staff.

The bank model has been a success factor because it associates services offered to clients and democratic leadership with the stimulation of financial progress through competition.

Through constructive dialogue with the representatives of European institutions, cooperative banks have put forward the three directions that will enable them to create and develop a new image of enlarged Europe.

Descendants of the original model based on democracy, transparency and closeness to the client as an associate member and co-owner, cooperative banks contribute to stability and competitiveness of the economic and financial system.

This role was stressed by all financial analysts who believe that the cooperative banks have an important and unique role within the banking community through their capital ownership structure based on the principle of ‘one-man, one vote’, through the structure of central organisms and through guarantee mechanisms.

2. Performance revolution in 21st century

The organization of the banking system in Romania is based on the experience of other countries, as well as the recommendations of the International Monetary Fund. Consequently, the banking system in our country is organized on two levels:

- the first level: the National Bank of Romania, as a central and emission bank;
- the second level: the Credit Institutions.

The Credit Institutions (CI), according to the Government Urgent Decree (OUG) nr. 99/6Dec. 2006, referring to the credit institutions and to the process of making the capital adequate, modified and approved by means of the Law nr. 227/4 July 2007 and OUG nr. 25/18 March 2009, are the following:

- banks;
- credit cooperative organizations (credit institution);
- institutions issuing electronic money;
- banks of saving and credit in the real estate field;
- banks of loan on mortgage.

Performance management can be defined as a strategic integrated approach to guaranteeing the long-lasting success in the activity of organizations by improving the performance of employees and by developing the capabilities of the individual teams and individual staff.

Performance management firstly envisages performance improvement as a means towards ensuring the efficiency of cooperative banks.

Secondly, performance management in cooperative banks requires staff development. Performance improvement cannot be achieved unless efficient processes for continuous development are in place.

Thirdly, performance management requires meeting the necessities and expectations of all groups of people interested in the good functioning of cooperative banks.

Finally, performance management means communication and involvement, creating a climate for permanent dialogue between managers and team members aimed at
defining mutual expectations and to make common use of information regarding the
mission, values and objectives of cooperative banks.

Mankind has stepped into the 21st Century, a period where we envisage a
'performance revolution'.

Performance has an important part to play in the great changes in Romanian
society. The actions of the forces of contemporary society determine a certain kind of
behaviour, which pivots around competition for resources and clients, and in this
competition performance is paramount.

In the 21st Century, in a market economy, knowledge of performance management
has become indispensable in running any kind of business, and especially cooperative
banks. Awareness of performance management can form the basis for development, and
managers must act as catalysts.

Economists forecast that in the first part of the 21st Century a new economy will
appear, based on performance and bearing the following characteristics:

- small and medium enterprises will multiply rapidly while aiming at high-
  performance activities;
- the frequency of performance assessments of the companies' dealings
  with the clients will increase continuously;
- all economic and social activities will be based on performance;
- the main functions of the company will become coordinating, protecting
  and integrating performance;
- property and management of performance will converge.

Cooperative banks belong to the category of services aimed at immaterial goods,
and therefore quality and productivity often conflict each other. Clients want both, and it is
up to the high-performance cooperative banks to strike the right balance between these two
aspects, to their clients' benefit.

There are other main problems to be resolved by cooperative banks wishing to
offer high-performance services, including:

- offering diverse services that are simple and easily accessible;
- continuously training personnel to be qualified and friendly to customers;
- prompt service, a main way to retain clients;
- client-orientated attitude for the staff, who are ambassadors of
  cooperative banks;
- authority delegation, so that the front line employees can personally
  attend to emerging problems.

To ensure the future of the network, it is necessary that all members of Creditcoop
should make maximum efforts to improve quality and performance productivity.

The behaviour of the cooperative banks in performance management must be
directly linked with renewing banking activity, products, services, conceptions and staff
behaviour.

But, in order to renew, it is decisive to create interest and involvement at the group
level, to create the organisational framework necessary to innovate.

The main components of the process can be summarised thus:

- adopting flexible structures that allow the development of useful ideas for
  the organisation;
- training and encouraging personnel to find solutions capable of
  innovating and diversifying products and services offered;
recruiting and promoting personnel with a sense of initiative;
mediating communication between clients and staff;
introducing an adequate rewards system for employees;
creating and testing conditions that can lead to sustaining the innovative ideas regarding the economic and financial activities of cooperative banks.

3. Total quality and performance productivity

Cooperative banks offer clients financial services and products, so therefore quality becomes measurable and represents the sum of quality characteristics of the service or product.

The main characteristic feature of the conceptual revolution in the quality management at the cooperatives banks is the client's position at the centre of the unit's activity, and the subordination of all activities to the imperative of his full satisfaction.

For the manager-president of the cooperative bank, knowing the client involves:

- understanding what the client expects from the service ordered;
- understanding what makes the client take a service;
- understanding what produces satisfaction in using the service offered by the cooperative bank.

The action of managing quality in the cooperative bank involves the following:

- full understanding and involvement of the bank's leadership in promoting services beyond reproach;
- calling on cooperation with those who have the necessary responsibility and the determination to ensure quality services;
- instituting a philosophy among the associated members and employees in the spirit of strictly following the quality standards set by BNR;
- conceiving and designing services matching client expectations;
- motivating the entire staff to consider the opinions of clients, cooperating members and shareholders;
- permanent openness to identify and correct any disfunctions;
- identifying efficient forms of influencing and improving client fidelity;
- permanent comparisons with competing banking services and adaptation of own services to the market.

Each of these actions must materialise into specific measures and approaches, adapted to the bank's activity profile, but their finality will be perceived by clients as part of the fulfilment or exceeding of their own expectations.

Total quality represents a modern variation on the concept of managing quality and matches a set of activities which aim at delivering irreproachable services, above the clients' expectation levels.

The imperatives of total quality involve the fulfilment by the cooperative banks of the following conditions:

- foresight and strategy, which means fulfilling the objectives set thoroughly as regards the quality of products, through anticipation of situations that may displease clients;
- excellence - as a philosophy for the whole personnel involved, backed up by conviction in delivering the service;
- the responsibility of personnel expected to adopt the climate and tradition enshrined in the cooperative bank and to identify the cooperative's objectives, showing shareholder clients responsibility, efficiency,
kindness, security, value, the attributes of a worthy organisational culture. Each of the conditions listed above need to occupy the manager president's major concerns. The latter needs to identify and apply concrete optimal solutions, depending on the nature of services, by adapting the information, decision-making and control system of the company's management.

For the complete success of a cooperative bank, its products must:
- satisfy a well-defined purpose;
- satisfy client expectations;
- comply with legal measures and other conditions imposed by the social and economic environment;
- be competitive on the market.

A total quality management system considers two independent aspects, namely:
- the needs and interests of the cooperative bank to offer quality products at optimal cost, influencing the efficiency of activity;
- the needs and expectations of clients, who need to trust in the capacity of banks to offer quality products.

The problem of quality must be approached globally. It must therefore be based on the following fundamental considerations:
- quality is assessed through the ability to satisfy user requirements;
- quality is built throughout the activity's processes;
- quality must be maintained, which implies a demanding attitude within the company, in a close relationship with the client and in accordance with procedural, technical and organisational regulations.

Within a cooperative bank, quality management is a topical preoccupation, which is given the appropriate attention, in spite of the current difficulties, associated with the reorganisation of the cooperative bank, within Creditcoop network, and with the changes in legislation regarding the credit institution enacted after Romania's accession into the European Union.

In order to take certain steps towards improving the quality of the cooperative bank's products, a certain programme was initiated, based on the management improvement and the development of executive staff, closely linked to the clients' opinions and suggestions.

4. Conclusions

Regarding the activity of the cooperative banks, performance is perceived to cover the following aspects:
- economic characteristic features (interest);
- technical characteristic features;
- personnel quality.

The main characteristic feature of the conceptual revolution in the quality management at the cooperatives banks is the client's position at the centre of the unit's activity, and the subordination of all activities to the imperative of his full satisfaction.

Competitiveness is the most important success factor in the market economy. This means that the cooperative bank needs to have many products to offer, which can prove their increase in efficiency.

Generally, the quality of the products offered to clients has become a key factor in determining the client's preferences for a specific bank. Through the liberalisation of the
international stock exchanges, through the globalisation of economies, the standards of quality are constantly on the rise.

The dynamic changes which characterise the market economy and the European Union's exigencies lead to a considerable increase in quality expectations. Conceived from the perspective of the objective process of amplifying and diversifying economic exchanges, quality is, at the same time, an essential condition for competitiveness, and, implicitly, for the participation of any company within its business domain.

Cooperative banks are determined to continue to play an active part in European economic development.

Cooperative banking networks are alternatives to the banking system already present in the countries of EU, and, through their organization, they have contributed fully to the economic and financial prosperity of hundreds of thousands of Europeans, to whom they have guaranteed access to financial services of a high quality and at low cost, and will continue to do so in the future.

The cooperative banking model is still under-estimated, especially in the new EU Member States (including Romania), in spite of the fact they could play a decisive part in the latter's economic development.

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