

# THE IMPACT OF QUALITY CULTURE ON COMPETITIVE ADVANTAGE IN FINANCIAL SERVICES COMPANIES

**Tareq N. Hashem and Abeer A. Alqirem**  
Marketing Department Isra University, Amman, Jordan  
Jordan University, Amman, Jordan

## ABSTRACT

Quality culture has become a concept that aims to improve and support development by studying culture concept, understanding how it relates to quality, and improving and guarantee the same. Due to technological explosion and banks massive expansion, most banks have recently shown great interest in quality culture strategies to achieve strategic objectives.

This paper examines the impact of quality culture on competitive advantage by examining market performance, market share, sales volume, and profitability. To achieve the purpose of this study and to answer its questions, the researchers develop a questionnaire which was distributed to all the managers who are working in banks main branches located in Amman- Jordan. Questionnaires were distributed over 150 managers. 118 questionnaires were collected so the response rate is 78.66 %... Collected questionnaires were valid for statistical analysis.

The research concluded that there is an impact of quality culture applied in banking sector on achieving competitive advantage.

**Key words:** Quality Culture, Marketing Performance, Market Share, Sales Volume, Profitability, Competitive Advantage.

## 1. Introduction

Banks of all kinds are the mainstay of any banking system. Commercial banks are very important pillars of economic activity in any country. Since good performance achievement is one of most important requirements of commercial banks, as well as a necessary process to keep abreast of developments in the banking sector to maintain the level of services and to measure the level of services provided, it was necessary to pay attention to the Quality Culture. Today's world is very competitive and fast changing so providing high quality products and services that satisfy customers is critical to ensure the organization and institutions long-term success (Malhi,2013).

There are many definitions for the term culture, these definitions vary according to type of study, but all are similar to the fact that culture is the pattern of behaviour or arrangement that is adopted by the institution as an acceptable way to solve problems. (Sadabad and Pathirage,2017) indicated that quality as a management concept emerged in the 20th century and is a powerful catalyst for leading competitiveness and organizational effectiveness, in this regard (Harvey,2009) define culture as the existence of a system of common beliefs, values, customs and behaviours.

## 2. Quality Culture

Quality is defined as a dynamic state associated with actions, products, settings, services, and individuals, meets customer needs and helps generate higher value (Goetsch and Davis,2014). Organizational culture is characterized by collective behaviours, standards and perspectives representing staff in the organization (Sadabad and Pathirage,2017). It reveals the nature and stability of organizational culture and the possibilities available to change it (Perovsek,2016),

Quality culture is the cornerstone of any type of quality improvement in the organization (Sadabad and Pathirage,2017), and it is now part of the evolution of organizations around the world (Harvey,2009).

Quality culture is not a process, it is a set of actions or a culture that can be imported or imposed (Harvey,2009), it is a set of common standards, values and beliefs that focus on customer satisfaction and continuous improvement in the services and products quality.

In organizations with high quality culture, quality exists in all aspects of organizational life, including recruitment, training, promotion, management and decision-making. Simply put, quality is a way of life that reflects the principles of quality in the practices and behaviours of organizations (Malhi,2013).

Business owners or those responsible for company control regularly develop organizational cultural frameworks that reflect their own perspective and logic. The applicability of these frameworks reflects the success or failure of the organization (Sadabad and Pathirage,2017).

### 3. Marketing Performance

Marketing performance can be better understood by measuring the effectiveness of existing marketing channels by offering products or services that suit the consumer by analysing the price differences between different marketing activities, and by examining the level of market integration, and in order to increase market performance, a better understanding of how the market operates must be achieved. Market performance refers to the impact of conduct and structure, and can be measured by several variables such as production costs, prices and costs (Kariuki, 2011). (Gituma, 2017) assured that the brand and knowledge management significantly affects the marketing performance, while (Kariuki, 2011) pointed out that the performance of the market refers to the economic results, which include productivity, efficiency and profitability.

### 4. Market Share

It is widely recognized that a key factor in business profitability is market share, companies that have achieved a large share of markets are more profitable than their smaller competitors, that companies with large market shares have more cumulative sales than their smaller competitors, that market share refers to quality (Ban and Linial, 2011). The best approach to increasing market share is to combine detailed knowledge of the market with the theory of market analysis in place (Wallin, 2007).

(Gituma, 2017) stressed that organizations that implement effective marketing strategies can increase their sales and market share and achieve competitive advantage. In order to penetrate the market and obtain a high market share, prices must be reduced to the lowest possible level and new customers can be obtained in the shortest possible time, that when your aim is to make profit you must increase sales and market share (Lehtinen, 2017).

### 5. Sales Volume

Sales volume is used to measure the quantity of a product that is sold at a given time, this term is used for products but can be used for service companies as well (Abiodun, 2011), so the company must follow new ways to increase sales and stimulate the purchase process, which increases the volume of sales. In the company there are many factors that affect the sales volume, some are internal like price, place, product quality and promotion, and external factors like economical, technological and competition (Berhe, 2010).

Over the past eight years sales volumes have fluctuated, maybe in raw materials shortages or lack of customer demand (Berhe, 2010), that consumers' tastes are increasingly different, so the quality of the product or service must be maintained against the high cost of basic materials.

### 6. Profitability

One of the main objectives of the banks is to achieve significant profits and reduce costs (Alharthi, 2016). Profitability is defined as an income obtained in a business and calculated by subtracting the expense from the proceeds (Aliet, 2012), and (Mungal, 2014) defined it as the difference between total earned income and total expenses paid.

The changing market factors and changing political climate have a significant impact on the banking sector (Ommeren, 2011), that stability of banks has positive and important links to profitability, and by increasing efficiency and profitability in the banking sector, managers can avoid negative variables in general (Alharthi, 2016).

### 7. Competitive Advantage

Competitive advantage is an advantage gained by offering higher value to customers either by reducing prices or by providing additional benefits and services that justify similar prices or perhaps higher, it means on the edge of competition (Mäntymaa, 2013) (Barone and DeCarlo, 2003). One of the most important roles of strategic management is to create a competitive advantage within their environment. The competitive advantage is gained by establishing a relationship with customers that is based on innovation, quality, dialogue and learning (Mäntymaa, 2013). Competence is to provide a privileged position in the market and provide a competitive advantage to achieve or maintain the success of the product or service provided (Barone and DeCarlo, 2003).

### 8. The Study Hypotheses

H1: There is no impact of quality culture applied in banking sector on achieving competitive advantage.

H2: There is a statistical difference in the impact of quality culture applied in banking sector on achieving competitive advantage due to the educational level of the managers.

H3: There is a statistical difference in the impact of quality culture applied in banking sector on achieving competitive advantage due to the managers' age.

H4: There is a statistical difference in the impact of quality culture applied in banking sector on achieving competitive advantage due to the managers' experience.

## 9. Methodology

The current study is considered a quantitative study. That is because the researchers processed quantitative and numerical data to reach results.

## 10. Data Collection Methods

- 1 – Primary source: the study questionnaire that was designed and distributed to sample subjects.
- 2 – Secondary sources: books, references, previous studies on that handle study topic.

## 11. The Study's Population

In the present study, the population consists of all the managers working in the main branches of the banks located in Amman- Jordan. The sample is selected from the study's population.

## 12. The Study's Sample

In the present study, the researcher selected a convenience (non-random) sample. The questionnaire forms were distributed to 150 managers. However, 118 questionnaire forms were retrieved. All the retrieved questionnaire forms were valid for statistical analysis. Thus, the response rate is 78.66 %.

## 13. The Instrument's Reliability and Face Validity

The instrument's face validity is assessed through passing the questionnaire to panel of experts. Those experts are professors teaching at Jordanian universities. Those experts were asked to make modifications and provide their comments. In the light of the experts' comments and suggestions, several changes were made on the study's instrument.

The value of Cronbach's alpha coefficient of the instrument was calculated. It is found that alpha was 0.929 which is greater than 0.60. Thus, the instrument is reliable, and its internal consistency is high (Sekaran, 2003).

## 14. The study's findings

- Demographic characteristics of the respondents

**Table (1): Sample distribution according to demographic variables**

Category	Frequency	Percentage%
<b>Gender</b>		
Male	80	67.8
Female	38	32.2
Total	118	100.0
<b>Age</b>		
Less than 25 years	9	7.6
25- 35years	49	41.5
36- 45 years	32	27.1
Above 45 years	28	23.7
Total	118	100.0
<b>Education</b>		
Diploma or less	15	12.7
Bachelor	82	69.5
Master	18	15.3
PHD	3	2.5
Total	118	100.0
<b>Experience</b>		
Less than 5 years	27	22.9
5- 10 years	31	26.3
11- 15 years	30	25.4
Above 15 years	30	25.4
Total	118	100.0

Through this part, the researchers provide information about the demographic characteristics of the study's sample. It is found that 67.8 % of respondents are males, whereas 32.2 % of the respondents are females. That means that most of the managers in the target sector are males. Also, it is found that 41.5 % of the respondents' age is within the range (25-35) years old. 27.1 % of the respondents are within the range of (36-45) years old. These percentages indicate that most of the managers in banking sector are young. Whereas, 22.9 % of the study's respondents have experience less than 5 years, 26.3 % of the respondents have experience between (5-10) years. In addition, 50.8 % of the respondents have experience more than 10 years. As well as, 12.7 % of the respondents hold a diploma degree, whereas 69.5 % of the respondents hold a bachelor's degree. In addition, 17.8 % of the respondents hold a master's degree or higher degrees.

## 15. Results

The researchers presented below the means and standard deviations which were calculated for identifying the respondents' attitudes:

### - Quality Culture

**Table (2): The Means and Standard Deviations of the Statements related to Quality Culture**

	N	Min.	Max	Mean	Sd. Deviation
There is an interest in satisfying the needs and desires of the bank's customers	118	2.00	5.00	4.5339	.62268
Customer satisfaction is measured periodically	118	2.00	5.00	4.3983	.75266
Staff are trained in the art of dealing with customers	118	1.00	5.00	4.3729	.84526
Employees are authorized to provide the best quality banking services within the Bank's instructions	118	2.00	5.00	4.4492	.64844
. Employees are encouraged to provide their management suggestions about quality of service without fear of any negative The facts about the service provided by the Bank are collected through sophisticated systems consequences	118	1.00	5.00	4.1102	.97651
The spirit of cooperation between management and staff is encouraged to enhance the quality of service provided by the Bank	118	1.00	5.00	4.0678	.83440
The spirit of cooperation between management and staff is encouraged to enhance the quality of service provided by the Bank	118	1.00	5.00	4.1186	.97112
There is fairness and equality in dealing with Bank employees without discrimination	118	1.00	5.00	3.7627	1.04332
The Bank's management focuses on developing special mechanisms to avoid errors in providing service to customers	118	2.00	5.00	4.3051	.72216
The Bank's management shall establish special policies and procedures to deal with any negative aspects of the provision of banking services	118	1.00	5.00	4.2881	.76350
The Bank's incentive system takes into account the employee's commitment to specific quality objectives	118	1.00	5.00	4.0593	.84015
There is interest in strengthening the culture of service in the bank	118	2.00	5.00	4.2373	.57998
There is effective control over the provision of banking services	118	3.00	5.00	4.4322	.61988
Quality culture	118	2.77	5.00	4.2412	.54633

Based on table (2), it can be noticed that the mean of statement (1) is 4.5339. This mean is considered the highest mean. It can be also noticed that the mean of statement (8) (3.7627) is considered the lowest mean. The overall mean indicates that respondents have a highly positive attitudes toward applying quality culture in banking sector.

#### - Competitive Advantage

**Table (3): The Means and Standard Deviations of the Statements related to Competitive Advantage**

	N	Min	Max	Mean	Sd. Deviation
The Bank's management focuses on research operations in order to develop its services at less cost	118	2.00	5.00	4.1695	.90870
The Bank has a clear policy of improving quality of offered banking service	118	2.00	5.00	4.3220	.76103
The Bank's management responds to in customer needs and desires fluctuations.	118	1.00	5.00	4.1610	.78414
The development of bank's products is conducted according to change in the banking market	118	1.00	5.00	4.2881	.83821
There is an interest in reducing time lost in providing service process to customers	118	1.00	5.00	4.2627	.94668
Bank's branches are distributed in different densely populated areas to serve its customers	118	2.00	5.00	4.4322	.70987
The Bank has significant market share in Jordanian market	118	2.00	5.00	4.4915	.71307
The Bank achieves high annual profits	118	2.00	5.00	4.2712	.72396
The Bank is focuseing on enhancing its competitiveness against competing banks	118	2.00	5.00	4.5000	.68874
There is an increase in the size of the Bank's deposits	118	2.00	5.00	4.3051	.71022
There is an increase in the volume of facilities granted by the Bank	118	1.00	5.00	4.2458	.78377
The Bank has a brand that enjoys high customer credibility.	118	3.00	5.00	4.6441	.56274
<b>Competitive Advantage</b>	118	2.83	5.00	4.3411	.49258

Based on table (3), it can be noticed that the mean of statement (25) is 4.6441. This mean is considered the highest mean. It can be also noticed that the mean of statement (16) (4.1610) is considered the lowest mean. The overall mean indicates that respondents have a highly positive attitudes toward the current competitive advantage for their banks.

#### 16. Hypothesis Testing

**H1 : There is no impact of quality culture applied in banking sector on achieving competitive advantage.**

**Table (4): H1 testing**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.673	.453	.448	.36601		
ANOVA <sup>b</sup>						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.849	1	12.849	95.913	.000
	Residual	15.540	116	.134		
	Total	28.389	117			
Coefficients <sup>a</sup>						
	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.769	.265		6.678	.000
	quality_culture	.607	.062	.673	9.793	.000

The simple regression analysis is conducted to test above hypothesis. It is found that the value of R is (0.673). The latter value indicates that there is a strong correlation between quality culture applied in banking sector and achieving competitive advantage.

It is found that the value of R Square is (0.453). That means that 45.3 % of the change in the dependent variable can be attributed to the independent variable (quality culture). Also it is found that the t-value is 21.145, this value is significant at the statistical significance level of 0.05 , that means , there is an impact for quality culture applied in banking sector on achieving competitive advantage.

**H2 : There is a statistical difference in the impact of quality culture applied in banking sector on achieving competitive advantage due to the educational level of the managers .**

**Table (5): H2 testing**

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	19.270 <sup>a</sup>	42	.459	3.774	.000
Intercept	639.537	1	639.537	5260.150	.000
quality_culture	13.417	23	.583	4.798	.000
edlevel	.052	3	.017	.143	.934
quality_culture * edlevel	1.803	16	.113	.927	.543
Error	9.119	75	.122		
Total	2252.118	118			
Corrected Total	28.389	117			

a. R Squared = .679 (Adjusted R Squared = .499)

2 Way ANOVA is used to test above hypothesis, it is found that F value= 0.927 is not significant at the statistical significance level of 0.05 , that means there is no statistical difference in the impact of quality culture applied in banking sector on achieving competitive advantage due to the educational level of the managers

**H3 : There is a statistical difference in the impact of quality culture applied in banking sector on achieving competitive advantage due to the managers' age .**

**Table (6): H3 testing**

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	21.107 <sup>a</sup>	57	.370	3.051	.000
Intercept	1025.286	1	1025.286	8447.765	.000
quality_culture	13.744	23	.598	4.924	.000
age	.033	3	.011	.091	.965
quality_culture * age	3.555	31	.115	.945	.558
Error	7.282	60	.121		
Total	2252.118	118			
Corrected Total	28.389	117			

a. R Squared = .743 (Adjusted R Squared = .500)

2 Way ANOVA is used to test above hypothesis, it is found that F value= 0.945 is not significant at the statistical significance level of 0.05 , that means there is no statistical difference in the impact of quality culture applied in banking sector on achieving competitive advantage due to the managers' age.

**H4 : There is a statistical difference in the impact of quality culture applied in banking sector on achieving competitive advantage due to the managers' experience .**

**Table (7): H3 testing**

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	21.772 <sup>a</sup>	57	.382	3.464	.000
Intercept	1354.917	1	1354.917	12286.398	.000
quality_culture	13.840	23	.602	5.457	.000
exper	.419	3	.140	1.267	.294
quality_culture * exper	3.657	31	.118	1.070	.402
Error	6.617	60	.110		
Total	2252.118	118			
Corrected Total	28.389	117			

a. R Squared = .767 (Adjusted R Squared = .546)

2 Way ANOVA is used to test above hypothesis, it is found that F value= 1.07 is not significant at the statistical significance level of 0.05 , that means there is no statistical difference in the impact of quality culture applied in banking sector on achieving competitive advantage due to the managers' experience.

## 17. Conclusion

The changes in the global economy have had a major impact on banks as the mainstay of any economy, so the banks themselves have faced strong competition to prove their existence through their performance and the services they provide to meet the requirements of the present era. Therefore, the subject of quality culture is one of the important topics that attracted the attention of researchers in the banking sector, and in order to achieve the application of quality culture, attention must be given to elements such as training and education, teamwork, quality planning and strategies, customer management.

The findings from this research show that there is an impact for quality culture applied in banking sector on achieving competitive advantage, and there is no statistical difference in the impact of quality culture applied in banking sector on achieving competitive advantage due to the education level of the managers, managers' age and managers' experience.

### 18. Recommendations

Depending on the results of the statistical analysis and hypothesis testing, we recommend:

- Spread the culture of quality banking services among employees.
- Continuous monitoring of the quality of banking services and identification of their degree of conformity with the wishes and needs of customers.
- Improve the performance of employees by holding courses, incentives and rewards to achieve effective performance and achieve the application of quality culture.

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