

# Strategic Quality Planning in Co-op Bank Pertama Malaysia Berhad

Mohd. Shah Rizal Ahmad@Abdullah<sup>1,\*</sup>, Norshahrizan Nordin<sup>1,2,3</sup>, Ezekiel Anthony<sup>1</sup>,  
Ehab Aktham Kassab<sup>1</sup>

<sup>1</sup>Faculty of Business & Communication, Universiti Malaysia Perlis (UniMAP), Perlis, Malaysia

<sup>2</sup>Healthcare Management – Special Interest Group (HEM – SIG)

<sup>3</sup>Management of Technology – Special Interest Group (MoTEM – SIG)

## ABSTRACT

*The banking industry is one of the most resilient industries in the world. However, in recent years, the performance of both global and local banks has been affected by the COVID-19 pandemic, and Co-op Bank Pertama Malaysia Berhad (CBP) is no exception.*

**Keywords:** Quality commitment, strategic quality planning, SDG8 decent work and economic growth.

## 1. INTRODUCTION

Strategic quality planning encompasses the infusion of quality management principles into all facets of strategic planning, spanning the definition of organizational vision and objectives, the consideration of various strategic dimensions, and the formulation of policies and strategies for change management (Djordjevic *et al.*, 2020). This approach underscores that strategies devised through structured quality planning processes tend to exhibit superior performance, echoing the core aspirations of SDG8 (Rai *et al.*, 2019). Various studies have substantiated the profound correlation between strategic quality planning and organizational performance (Bouranta *et al.*, 2017; Rehmani *et al.*, 2020; Rifa'i *et al.*, 2019; Rureri, 2018; Santos *et al.*, 2019; Uko, 2018).

Nonetheless, the global banking sector, traditionally deemed resilient, has faced formidable challenges due to the sweeping impact of the Covid-19 pandemic. The pandemic's repercussions encompass a global and local economic downturn, disruptions in business operations and supply chains, diminished demand for banking services, and currency devaluation (Jing, 2020). Co-op bank Pertama, a local bank, has not remained unscathed, with its rate of yearly increase in total income and profits showing signs of deceleration. Total income at Co-op bank Pertama has incrementally risen over the past five years, from RM198 million in 2017 to RM375 million in 2021, paralleled by a similar trajectory in profits, ascending from RM39 million in 2017 to RM86 million in 2021 (Co-op bank Pertama, 2022). This deceleration in financial performance is a source of concern for the bank's management, who are ardently striving to optimize total income and profits in alignment with the objectives of SDG8.

## 2. QUALITY COMMITMENT

Quality commitment involves managers accepting responsibility for quality, encompassing comprehensive quality planning, quality scheduling, evaluating quality, and participating in quality improvement efforts (Kaynak, 2003). In the context of the present study, quality commitment is conceptualized as an organization's obligation to uphold quality practices. This includes understanding the current and future needs of customers, consulting with experts, conducting total quality training, adhering to quality standards, actively involving employees in

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\* Corresponding authors: shahrizalahmad@studentmail.unimap.edu.my

quality improvements, maintaining quality objectives and compliance, and fostering a quality culture.

Research on the impact of quality commitment on organizational performance has shown that higher-quality adoption can lead to a stronger quality culture. Organizations that have developed higher levels of quality management practices tend to achieve better performance across various dimensions, including customer satisfaction, employee satisfaction, efficiency, and business outcomes (Patyal & Koilakuntla, 2017). Several studies have explored the relationship between quality commitment and organizational performance. For instance, the investigation of the adoption of quality standards (daily practices and continuous improvement) and its impact on the performance of tourism organizations. The study's results indicated that organizations with a higher extent of quality commitment exhibited significantly better performance levels across multiple dimensions, including customer, employee, societal, and organizational performance. Likewise, Setiawan *et al.* (2019) examined the relationship between quality responsibility and production performance. They hypothesized that a higher level of quality responsibility within a company would lead to greater production performance.

Despite these advancements, there are research gaps in the literature. First, there is inconsistency in the results regarding the relationship between quality commitment and organizational performance. Some studies have found a significant relationship, while others have contradicted these findings. This inconsistency suggests a need for a mediating variable to better understand the relationship. Second, there is a significant body of research on the relationship between quality commitment, strategic quality planning, and organizational performance. Strategic quality planning has been identified as a potential mediator in this relationship. Finally, studies examining the relationship between quality commitment and organizational performance are limited, particularly in the context of Co-op bank Pertama. Therefore, the present study aims to explore this relationship and provide valuable insights for managers involved in strategic quality planning.

### 3. STRATEGIC QUALITY PLANNING

Research on the relationship between strategic quality planning and organizational performance is closely related to TQM, the Malcolm Baldrige Award approach, and Hoshin planning, as strategic quality planning is considered one of the dimensions of these models. Several scholars have explored this relationship, and their findings have provided valuable insights into the impact of strategic quality planning on organizational performance. For instance, Alshourah (2021) studied the dimensions of TQM and their impact on quality performance in accredited Jordanian private hospitals. The results showed that strategic quality planning, along with information and data management, training and participation, customer focus, and continuous improvement, had a significant impact on quality performance.

Pambreni *et al.* (2019) investigated the effect of various determinants of TQM, including customer focus, continuous improvement, strategic planning, and total employee involvement, on organizational performance in the service sector of small and medium enterprises (SMEs) in Malaysia. Their research found that strategic planning, which included leadership, critical resources, and management involvement, had a positive and significant effect on organizational performance. Studies like the one by Rureri (2018) focused on different dimensions of strategic quality planning, including strategic customer relations, strategic top management support, strategic quality planning, measurement practices, strategic suppliers' relations, and strategic employee relations practices, in the context of the steel manufacturing sector in Kenya. Their research showed that these strategic planning dimensions were statistically significant in influencing organizational performance.

Overall, based on existing literature, strategic quality planning has been shown to be a significant predictor of quality management and organizational performance, affecting areas such as financial results, quality performance, operating performance, customer satisfaction, employee satisfaction, and product or service quality. However, there is a lack of studies examining the relationship between strategic quality planning and organizational performance in the banking sector, particularly in the context of Co-op bank Pertama. Therefore, the present study aims to address this gap and provide insights specifically relevant to Co-op bank Pertama's strategic quality planning efforts.

#### 4. CONCLUSION

On the practical front, the research findings offer valuable insights for practitioners and managers within Co-op bank Pertama and the wider Malaysian banking sector, in alignment with SDG8's principles. Emphasizing the significance of effective leadership strategies, the study underscores the importance of fostering a culture of quality consciousness, which can positively impact service delivery and customer satisfaction, thus contributing to the goals of economic growth and decent work. Furthermore, the study highlights the critical role of addressing employee motivation and engagement through recognition programs, skill development, and career advancement opportunities, in line with SDG8's objective for decent work conditions.

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