EXAMINING THE IMPLICATION OF TQM, CUSTOMER SATISFACTION, SERVICE QUALITY, AND MARKET ORIENTATION IN PRIVATE BANK IN SURABAYA

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ABSTRACT
Total Quality Management (TQM) has gained significant attention across various industries as a concept to enhance organizational performance, including in banking industry. This research paper aims to investigate the implementation and impact of TQM principles in the banking industry, exploring its essential indicators including service quality, market orientation, and customer satisfaction. The study begins by reviewing the existing literature on TQM and its application in the banking industry, highlighting key concepts, methodologies, and discussion. Empirical data was taken from 185 bank workers in East Java Region of the Republic of Indonesia, especially Surabaya City. This study uses Confirmatory Factor Analysis to test construct reliability and validity, while the relationship between variables is examined with Partial Least Square/PLS-SEM. This research uses purposive sampling, we are targeting private bank workers in Surabaya through online questionnaires spread by social media. This research contributes to the existing body of knowledge by providing a comprehensive review and analysis of TQM implementation in the banking industry. This research findings demonstrate that TQM has a significant relationship with Customer Satisfaction, Service Quality, and Market Orientation.

Keywords: Total Quality Management, Service Quality, Market Orientation, Customer Satisfaction, Banking Industry

1.INTRODUCTION
As public services extend and develop amid fast-developing areas in the global financial and monetary system, the banking industry has been one of the most viewed industries that contributes a lot to public facilities and infrastructure growth (Susilawaty & Nicola, 2020). As stated in Law Number 10 of 1998, Bank is a financial intermediary institution tasked with accumulating and allocating public funds to improve the living standards of many people. This institution has become a part that played an important role in
economic activities and the growth of Indonesian society (Susilawaty & Nicola, 2020) According to Ismanto (2019), a bank is an institution that functions in helping Indonesian people to channel funds to improve their living standards to the Indonesian people. Regarding those definitions, it is known that bank receives funds from people in the form of their current interest accounts, deposits, and savings, as well as being financial loan through credit and other forms of lending. Ismanto et al., (2019) mentioned that the Financial Services Authority always observes and inspects the bank. As mentioned by Financial Service Authority a bank is also defined as an institution that bridges parties who over-fund to those who demand funds, regulated by authority and policies applied to its activity (Ismanto et al., 2019).

Banking in Indonesia has undergone significant development in recent years (Darman et al., 2021) with the government implementing various policies to foster and promote the growth of the banking sector. There are types of banks in Indonesia, including commercial banks, state-owned banks, and foreign banks, sorted by their operating system and policies, in Indonesia, there are public banks, private banks, and Islamic banks (Susilawaty & Nicola, 2020)

Advancing their service, Indonesian banks have implemented various strategies such as digitization and expansion of branch networks, including earning trust from people (Darman et al., 2021). Darman et al. (2021) stated that for banks earning trust from communities is cultivating and embracing the bank’s health. Bank Indonesia (BI) collaborated with Financial Services Authority, as an institution that advised banks, always focused on improving the system to be more effective and maintain good service performance (Darman et al., 2021)

Jumono (2019) investigated that the Indonesian banking industry has shown significant growth. From 2001 to 2014, the BEP of Indonesian banking increased from 0.2% to 2.9% (Jumono et al., 2019) This is reckoned as a good indicator that the banking industry will exceed exponentially. This circumstance of market structure in Indonesia implies what happened back in 2001, over 145 banks in Indonesia and more than 6,757 office branches have 1,099,699 billion rupiah calculated assets, 316,059 billion rupiahs total credit, and 957,417 billion rupiahs total deposit. Meanwhile, in 2005, the calculation of total banks dropped by 131 banks with an increasing number of branch offices to 8,236 offices. With that being said, the total calculated assets increased to 1,469,8297 billion rupiahs, 695,648 billion rupiahs in total credits, and 1,166,065 billion rupiahs in total deposits. The number of total banks decreased from 145 in 2001 to 122 in 2010, but the number of branch offices increased from 6,765 to 13,837 during the same period. Total assets rose to 3,008,853 billion rupiahs, total credits increased to 1,710,677 billion rupiahs, and total deposits remained at 1,166,065 billion rupiahs. In 2014, the number of total banks decreased further to 119 banks, while the number of branch offices significantly increased to 19,948. Total assets rose to 5,615,150 billion rupiahs, total credit was 3,526,364 billion rupiahs, and total deposit was 3,943,697 billion rupiahs. These changes suggest that the Indonesian banking industry faced tight competition during this period, resulting in some banks exiting the market or merging with other banks. However, the banks that managed to survive continued to expand their reach by opening more offices throughout the country. (Jumono et al., 2019) Furthermore, many banks in Indonesia have implemented diverse loyalty programs, promotions, and
incentives to attract and retain customers. All these efforts are made to improve and develop quality management in the banking industry (Dandis et al., 2021).

Comprehensively, Indonesian banks are tirelessly accelerating their services by embracing digitalization, expanding their branch networks, and offering fascinating loyalty programs. These strategies have assisted and mitigated Indonesian banks to remain competitive and to advance better services to their customers. With the increasing amount of banks and intense competition, Hussain et al. (2023) declared that consumers can get round-the-clock access to the bank industry access, regardless of location. Regarding that proliferation, banking is now providing an impressive customer experience their strategic imperative for a bank (Hussain et al., 2023). This exponential growth has made the banking industry wider. Hence, banks ought to maintain a long-run relationship with consumers, banks need to provide a satisfactory banking service experience (Patel & Siddiqui, 2023). Patel conducted that service quality has a significant impact on customer satisfaction to maintain and retain customer satisfaction ahead (Patel & Siddiqui, 2023). Customer satisfaction is hugely impacted and relevant to the performance of service quality (Patel & Siddiqui, 2023). Besides all those competition factors existed, there’s a metric to measure the effects of TQM on customer satisfaction, service quality, and market orientation. This research shows how TQM or Total Management Quality can measure and give the right metrics toward customer satisfaction, service quality, and market orientation and how it affects company success, especially in the banking industry. The researcher examines the origin of TQM and links it to TQM’s initial views on the content of functioning in service paradox.

Considering the context outlined earlier, the author's focus lies in examining the implication of TQM, customer satisfaction, service quality, and market orientation in Surabaya private banking industry. The outcomes of this research will provide valuable insights to the banking management industry, enabling them to enhance the overall performance of their organizations.

This study is prompted by the pressing need to explore the implementation of Total Quality Management (TQM) practices within the private banking sector. With the increasing complexity of banking operations and the growing expectations of customers, there is an urgent demand for in-depth research into how TQM principles can be effectively implemented in banks to enhance customer satisfaction, service quality, and market orientation. This study aims to address this critical need by investigating the potential benefits and challenges of adopting TQM within the private banking industry, ultimately contributing to the advancement and competitiveness of private banks in Surabaya to today's dynamic financial landscape.

Injecting customer satisfaction, service quality, and market orientation as new quality standards aiming for good company, researchers portray how enormous the effect of those quality standards regarding company ascendancy. This study acquires data from 185 random sample respondents from bank workers and customers to get an absolute database for this study. The researcher’s methodology is shown, followed by the result of the research, then Afterall, completion is described.
2. LITERATURE REVIEW
2.1 Total Quality Management

Over decades, the growth of the service industry especially financial service providers has been enormously irresistible. The exacerbation of economic globalization, financial revolution, and increasing advancements in financial service, together with the easing of monetary and fiscal constraints, has led banks to competitive strategies responding to the contraction of their profits. Leaping a greater risk to strengthen the profit of banks was the major motivation of all means. As a result, banking authorities have strengthened banking regulations to make sure more excellent and focused management. Though regulatory interventions and changes have a major role in banks’ risk approach, the improvement of the risk management function is also fully dependent on the quality of banking comprehensive and integrated management (Jin et al., 2011). Therefore, the more advancing banking procedure through total quality management (TQM) is essential and fundamental for banks to advance for more effective administration proceedings. TQM allows for making procedures more transparent, effective, synergized critical points and cultivates an adequate measurement system (Al Khasabah et al., 2022; Banna et al., 2018; Williams, 2001).

Due to what Lepistö et al. (2022) said, TQM helps organizations that want to increase and ace their services to support the success of the company or organization that it is now widely used as a metric to evaluate and qualify the company’s services. It has been investigated that TQM holds a major role in firm performance (Ahmed & Idris, 2021; Dubey & Gunasekaran, 2015). Lepistö et al. (2022) hugely agreed that TQM had proved its capability by increasing customer satisfaction, service quality, and market orientation (Lepistö et al., 2022). Due to TQM’s complexity and composites, it is important to testify how TQM performance can be optimized to its highest potential (Dubey & Gunasekaran, 2015) Penetrating the potential usage of TQM in a service system requires major aspects. These are business systems, quality parameters, growing and increasing control systems, and integrated business models (Lepistö et al., 2022).

TQM is an approach to managing the continual refinement of processes and products to meet customers’ expectations and excellent service. TQM holds major aspects in enhancing company success through customer satisfaction, service quality, and market orientation (Banna et al., 2018). TQM indicators as defined from various studies are as follows: Top management commitment, continuous improvement, training and education, customer focus, process management, workforce management, and supplier relationship (Sutrisno, 2019).

2.2 Customer Satisfaction

Customers have a powerful role in a company’s success. In this situation, companies are required to amend their thinking and strategy to provide significant customer satisfaction. Customer satisfaction is widely recognized as the main role in the banking and financial industry. On another side, it is challenging to reach and achieve customer satisfaction in this intensively competitive banking industry in Indonesia (Dandis et al., 2021) Providing high-quality service leads to reduced calculated risk, which has been testified to contribute a good impact on customer satisfaction (McKecnie et al., 2011). Customer satisfaction is determined by some indicators, based on Supriyanto et al., (2021) those indicators are customer satisfaction, service quality, and market orientation.
attitude, customer happiness, and customer satisfaction.

2.3 Service Quality
The important role taken by expectations in customers’ evaluation of services has been broadly known and recognized in any industry, including the banking industry. Banking services initially began with the retail bank industry; hence, mobile banking also taking part in providing excellent service to their customers (Patel & Siddiqui, 2023). Over time, the banking service portfolio grows exponentially, and it requires the bank to provide satisfactory and advanced service quality (Patel & Siddiqui, 2023). Referring to Dandis et al., (2021), it is stated that Service Quality has indicators that determine, those are Tangibles, Reliability, Responsiveness, Assurance, and Empathy (Dandis et al., 2021)

2.4 Market Orientation
Over the years, it is proven that current academics and experts are interested in the subject of market orientation and its relativeness with company performance (Jaworski, B.J., Kohli, 1993). The result of this interest is not surprising as the concept of market orientation has been rooted and become a firm cornerstone for a company to direct its operational development. As stated by Jaworski et al. (1993) and (Liu, 1995), market orientation is a metric that will provide a unifying focus for the efforts and projects within the company, thereby directing to superior and excellent performance (Jaworski & Kohli, 1993; Liu, 1995).

Nonetheless, empirical studies on the relationship between market orientation and performance are not tangible (Slater & Narver, 2016). Market orientation has been testified to be impacting business performance only for judgemental performance metrics (Ruekert, 1992), but is not suitable and well fitted to objective performance metrics (Slater & Narver, 2016). Since it is considered that the effectiveness of market orientation may be contingent on the dynamics of the market, an examination of market orientation in developing countries such as Indonesia in the banking sector would be worthwhile.

As stated in the study that market orientation has five big elements consisted; Customer orientation, Information orientation, integration orientation, competition orientation, and responsiveness orientation (Zebal & Saber, 2014). The result of those indicators (Narver & Slater, 1990; Tomášková, 2009) are described: customer orientation, competitor orientation, and inter-functional coordination

2.5 The Relationship between Total Quality Management and Customer Satisfaction
In 2022, Mainardes and Freitas (2023) did research aiming for a further study portraying the impact of customer satisfaction on the bank industry. It’s clearly and comprehensively stated that the result of customer satisfaction has a stronger and more sustainable impact because they present genuine and lasting competitive differentials such as the perception of quality and trust in the company, moreover to the current digitalization era, which stimulates banks to promote and foster their customer satisfaction (Mainardes & Freitas, 2023). Traditional and digital banks that implement TQM principles prioritize customer satisfaction as their primary goal (Dandis et al., 2021; Mainardes & Freitas, 2023). Dandis et al. (2021) mentioned that customer satisfaction is considered a significant source of intensive competitive benefits for all
financial sectors and the service industry. They strive to provide efficient and effective services to their customers, which can lead to increased customer loyalty and retention (Dandis et al., 2021). Hence, we propose the following hypothesis

**Hypothesis:**

**H1:** There is a significant relationship between total quality management and customer satisfaction.

2.6 The Relationship between Total Quality Management and Service Quality

There is a great number of published studies on TQM and its implementation in the diverse service sector, especially in the bank sector. Studies have shown that TQM and service quality is inseparable considering soft issues in its implementation (Talib & Rahman, 2010). Service factor concepts have mastered the realization that a factory does not just produce goods, but also tangible excellent integral services that play a major role in facing a diverse challenge in company competition (McKecnie et al., 2011). Therefore, Talib and Rahman (2010) mentioned that it is widely known and believed that service quality is progressively developing center stage TQM.

Penetrating and syncing TQM in a service system is considered an important task. They require an in-depth analysis of the company’s needs and demands to integrate outstanding service quality (Slater & Narver, 2016; Sutrisno, 2019; Talib & Rahman, 2010). That said, we propose the following hypotheses

**H2:** There is a significant relationship between total quality management and service quality.

2.7 The Relationship between Total Quality Management and Market Orientation

TQM and market orientation contribute to significant growth in the service sector (Talib & Rahman, 2010). Market orientation has been known as a form of culture that defines a specific set of organizational behaviour. Market orientation has been defined as a structure that is composed of information about customers ’current and future demands and exogenous factors that impact both needs (Bhuian, 1997; Samat et al., 2006). The relationship between market orientation and a company’s performance has been studied and analysed in several studies (Liu, 1995; Slater & Narver, 2016).

![Figure 1 Structural Model](image-url)

*Figure 1 Structural Model*
However, an empirical study of market orientation linkage in a developing country context with samples from the service industry banks is yet to be analysed (Bhuian, 1997). Based on the fact above, this study attempts to portray how market orientation influence TQM through its dependency
H3: There is a significant relationship between total quality management and market orientation.

2.8 The Relationship between Service Quality and Customer Satisfaction
It is clearly stated by Chuah et al., (2017) that there is a relationship between service quality and customer satisfaction. It is explained as one of the factors of the functional dimension of the service quality is determined by the impact of customer satisfaction (Chuah et al., 2017).

As for Brasileiro & Vidal Barbosa (2009), the reliability is made by the ongoing paradigms that customer satisfaction is fully dependent and fairly demonstrated by service quality, especially in the financial service provider. In terms of the banking sector, they have an active dependency between service quality and customers’ intention to continue consuming (Nelloh et al., 2019). Proving the relationship between customer satisfaction and service quality, hypotheses are developed as follows.
H4: There is a significant relationship between service quality and customer satisfaction.

2.9 The Relationship between Market Orientation and Customer Satisfaction
Ruekert (1992) agreed that market orientation involves the implementation and execution of a customer orientation strategy by performing responsiveness toward market demand. These behaviours will continuously reflect and deliver customer satisfaction (Ruekert, 1992). This study is consistent with the Narver & Slater (1990) behavioural component of customer value. We, therefore, propose that market orientation is related to customer satisfaction.
H5: There is a significant relationship between market orientation and customer satisfaction.

3. RESEARCH METHOD
This research focuses on the impact of TQM on a company’s success in building fundamental services. Total Quality Management holds three grand dimensions, those are service quality, market orientation, and customer satisfaction. To test the hypothesized model, this research used a survey questionnaire research design. Data were taken from respondents who are private bank workers in the East Java region, especially Surabaya City which is registered in the BEI Indonesia Stock Exchange

We are using the Likert scale to measure this study. Likert scale is used to measure attitudes, opinions, and perceptions of a person about the banking industry where the answer to each instrument item has gradation (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, (5) strongly agree.

Data collection by researchers was carried out by sending questionnaires to each bank worker in Surabaya via e-mail and paper questions to as many as 250 bank workers registered in private banks in Surabaya City. The total number of respondents who responded was 185 (74%). The data show promising results in representing the condition of private banks in Surabaya.

According to Hair et al. (2005), before multivariate data analysis, we must testify assumptions about sample size, variable scale, multicollinearity, multivariate normal distribution, and outliers. Because the sample used is more than 100, it is recommended to use Partial
Least Square (PLS) analysis (Ferdinand, 2012). According to Garson (2007) and Byrne (2001), we can use the Likert scale and the Maximum Likelihood method in PLS.

4. RESULT AND DISCUSSION

Industries that participated in this study were private bank sectors in East Java, especially Surabaya City. Finally, the response rate of 74 percent of the companies agreed TQM is highly related to company success through customer service, service quality, and market orientation.

The measured (observed) values for the questions, obtained from the respondents, constitute the observed variables of the model, which are used as the indicators of the respective latent constructs or factors. Table V describes the result of the criteria using Partial Least Square by involving the Composite variable on the indicator, the Validity test, and Reliability using the Product moment and Cronbach alpha. Whereas then, the latent variables are tested for validity and reliability through CFA for each latent variable. Based on Table 1. All indicators on variables have a value greater than 0.5, which means the indicator is valid in measuring latent variables.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Variable Under Study</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Quality Management (X1)</td>
<td>Top Management Commitment (TMC)</td>
<td>0.824</td>
</tr>
<tr>
<td></td>
<td>Continuous Improvement (CI)</td>
<td>0.852</td>
</tr>
<tr>
<td></td>
<td>Training and Education (TE)</td>
<td>0.759</td>
</tr>
<tr>
<td></td>
<td>Process Management (PM)</td>
<td>0.826</td>
</tr>
<tr>
<td></td>
<td>Workforce Management (WM)</td>
<td>0.822</td>
</tr>
<tr>
<td></td>
<td>Supplier Relationship (SR)</td>
<td>0.807</td>
</tr>
<tr>
<td>Service Quality (Y1)</td>
<td>Tangibility</td>
<td>0.793</td>
</tr>
<tr>
<td></td>
<td>Responsiveness</td>
<td>0.827</td>
</tr>
<tr>
<td></td>
<td>Empathy</td>
<td>0.873</td>
</tr>
<tr>
<td></td>
<td>Assurance</td>
<td>0.824</td>
</tr>
<tr>
<td></td>
<td>Reliability</td>
<td>0.855</td>
</tr>
<tr>
<td>Market Orientation (Y2)</td>
<td>CustomerOrientation</td>
<td>0.801</td>
</tr>
<tr>
<td></td>
<td>Competitor orientation</td>
<td>0.889</td>
</tr>
<tr>
<td></td>
<td>Coordination between functions</td>
<td>0.866</td>
</tr>
<tr>
<td>Customer Satisfaction (Y3)</td>
<td>Customer attitude</td>
<td>0.889</td>
</tr>
<tr>
<td></td>
<td>Customer Happiness</td>
<td>0.851</td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction</td>
<td>0.869</td>
</tr>
</tbody>
</table>
The reliability of the above latent constructs was checked according to Hair et al. (2005), by calculating Cronbach’s alpha coefficient that was higher than 0.7 (Table 2). Confirmatory factor analysis by evaluating convergent validity (factor loading > 0.5, Average variance extracted > 0.5, Composite reliability >0.7). The test results of the model get an R-square value that describes the goodness-of-fit of a model. The expected r-square value is greater than zero. Table 2 shows, the value of R-Square Service Quality (Y1) is 0.713, Market Orientation (Y2) is 0.676, and Customer Satisfaction (Y3) is 0.845, This means that this research model meets the requirements. The goodness of fit inner model measurement with the results of Q Square calculations from Table 2 is obtained using the following formulations:

\[ Q^2 = -(1-0.713) \times (1-0.676) \times (1-0.845) = 0.986 \]

The results of the above calculations amounted to 0.985 or 98.6% can be interpreted that the model is relevant in terms of value, where the model is used to interpret the information in the research data by 98.6%.

The results of the inner path coefficient and the full significance values are shown in Table 3. Based on Table 3, the interpretation of each coefficient with a sample of 185 respondents (t table: 1.97287) paths then:

(H1) There is a significant relationship between total quality management and customer satisfaction seen from the path coefficient of 0.252 with a t-statistic value of 19.189. (H2) TQM significantly affects to service quality. It can be seen from the path coefficient of 0.844 with a t-statistic value of 16.881. (H3) TQM has a significant effect toward market orientation. It can be seen from the path coefficient of 0.822 with a t-statistic value of 16.110. (H4) There is a significant relationship between service quality and customer satisfaction with a t-statistic value of 16.110. (H4) There is a significant relationship between service quality and customer satisfaction with a t-statistic value of 4.680 and a path coefficient of 0.376. (H5) Market orientation has a significant relationship with customer satisfaction with a value of path coefficient 0.350 and t-statistic 4.479.

<table>
<thead>
<tr>
<th>Latent Construct</th>
<th>Cronbach’s Alpha</th>
<th>AVE</th>
<th>Composite Reliability</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>0.899</td>
<td>0.665</td>
<td>0.901</td>
<td></td>
</tr>
<tr>
<td>Y1</td>
<td>0.891</td>
<td>0.697</td>
<td>0.893</td>
<td>0.713</td>
</tr>
<tr>
<td>Y2</td>
<td>0.812</td>
<td>0.727</td>
<td>0.821</td>
<td>0.676</td>
</tr>
<tr>
<td>Y3</td>
<td>0.839</td>
<td>0.757</td>
<td>0.839</td>
<td>0.845</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Research Hypothesis</th>
<th>Description</th>
<th>Path Coefficient</th>
<th>T statistics</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>TQM → Customer Satisfaction</td>
<td>0.252</td>
<td>19.189</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>TQM → Service Quality</td>
<td>0.844</td>
<td>16.881</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>TQM → Market Orientation</td>
<td>0.822</td>
<td>16.110</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4</td>
<td>Service Quality → Customer Satisfaction</td>
<td>0.376</td>
<td>4.680</td>
<td>Accepted</td>
</tr>
<tr>
<td>H5</td>
<td>Market Orientation → Customer Satisfaction</td>
<td>0.350</td>
<td>4.479</td>
<td>Accepted</td>
</tr>
</tbody>
</table>
Broadly speaking, sampling private bank industries in East Java, especially Surabaya in this research, it can be concluded that they have a great vision to achieve quality. Furthermore, if we consider the expectation of most banks to incorporate the TQM concept into their quality systems, we are not talking about the future of hopeful quality management. But onward at this point, we are focusing on the banks’ concrete steps in optimizing the elements that significantly influence customer satisfaction, service quality, and market orientation.

Nevertheless, it is important to highlight that the quality management initiatives carried out by individual companies alone are insufficient. To meet the expectations of end consumers, assurance of quality needs to extend beyond the confines of the company, encompassing the entire distribution network. Hence, once quality standards are firmly established within the company, it becomes imperative for the company to shift its focus toward ensuring quality among customers.

By understanding and meeting customer needs and expectations, banks can establish long-term relationships with their customers, leading to increased loyalty and repeat business. The result of the first hypothesis is there is a significant influence between TQM and Customer Satisfaction. TQM holds major aspects in enhancing company success through customer satisfaction (Banna et al., 2018). Traditional and digital banks that implement TQM will prioritize and place customer satisfaction as their utmost priority (Mainardes & Freitas, 2023) (Dandis et al., 2021). This result is also supported by the prior study by Dandis et al. (2021); they mentioned that customer satisfaction is considered to play a major role in intensive competitive benefits for all financial sectors and the service industry. Moreover, Mainardes and Frietas (2023) agreed that the result of customer satisfaction has a stronger and more sustainable impact because they present genuine quality and trust in the company. This customer focus empowers organizations to deliver products and services that meet or exceed customer expectations.
expectations and finally enhance overall customer satisfaction. This finding is in line with the prior researcher who agreed with this hypothesis such as (Banna et al., 2018; Dandis et al., 2021; Mainardes & Freitas, 2023)

The second hypothesis testing result shows that TQM is positively related to Service Quality. This means the concept of service factors recognizes that a company’s role extends beyond the quality of the goods, but it acknowledges the importance of providing qualified service (McKeenie et al., 2011). TQM recognizes that providing high-quality services is essential for customer retention. Referring to Dandis et al., (2021), it is stated that Service Quality has indicators that determine whether a company is likely to have a satisfied customer, those are Tangibles, Reliability, Responsiveness, Assurance, and Empathy. Penetrating and syncing TQM in a service system is the first and foremost step to accomplish. They require an in-depth analysis of the company’s needs and demands to integrate outstanding service quality (Slater & Narver, 2016; Sutrisno, 2019; Talib & Rahman, 2010). By adopting a service-oriented mindset, organizations can evaluate areas for improvement, address customer concerns promptly, and ensure the delivery of reliable and efficient services, ultimately establishing customer experience. This is consistent with findings by several previous researchers such as (Dandis et al., 2021; McKeenie et al., 2011; Slater & Narver, 2016; Sutrisno, 2019; Talib & Rahman, 2010) The result of testing the third hypothesis shows that there is a significant impact between TQM and Market Orientation. The fact that TQM is related to Market Orientation is aligned with the prior research study tested by Talib & Rahman (2010). Market orientation is closely intertwined with TQM as it contributes to significant growth in the service sector (Talib & Rahman, 2010). As stated by Jaworski et al. (1993) and (Liu, 1995), market orientation is a metric that will provide a clear focus for the efforts and projects within the company, thereby directing to superior and enhanced performance (Jaworski, B.J., Kohli, 1993; Liu, 1995). By aligning organizational strategies and processes with market needs, TQM empowers a company to stay competitive, responsive, and agile to changing customer demands by composing information about customer’s current and future demands and other related factors that impact both needs (Bhuian, 1997; Samat et al., 2006). The results of this test also support previous research which argues that Total Quality Management and Market Orientation have a significant relationship (Bhuian, 1997; Jaworski, B.J., Kohli, 1993; Liu, 1995; Samat et al., 2006; Talib & Rahman, 2010)

The relationship between Service Quality and Customer satisfaction is positively proven in the fifth hypothesis. This result is aligned with the previous study done by McKeenie et al.(2011) which mentioned that providing high-quality service leads to reduced calculated risk, which has been testified to contribute a good impact on customer satisfaction. As for Brasileiro & Vidal Barbosa (2009) the reliability is made by the ongoing paradigms that customer satisfaction is fully dependent and fairly demonstrated by service quality, especially in the financial service provider. This finding is consistent with a thorough review of the literature that largely supports a positive and significant relationship between Service Quality and Customer Satisfaction (Brasileiro & Vidal Barbosa, 2009; Chuah et al., 2017; Nelloh et al., 2019).

The fifth hypothesis proves that there is a significant impact from Market
Orientation to Customer Satisfaction. Ruekert (1992) proved that market orientation corporate the implementation and execution of a customer orientation strategy by performing responsiveness toward market demand. The more company grows its agility to respond to market demand, the more it delivers customer satisfaction (Ruekert, 1992). The target is the customer, and the competition serves as a point of comparison from which the business differentiates itself by utilizing its relative corporate strengths to enhance or deliver customer-desired satisfaction in a unique way (Narver & Slater, 1990). This finding is consistent with the (Narver & Slater, 1990; Ruekert, 1992) behavioral component of customer value.

5. CONCLUSION AND MANAGERIAL IMPLICATIONS

The integration of TQM principles within private banking sector is not only become an option, but already become a necessity in today’s competitive financial landscape. Taking this fact into account, it is cleared that in Surabaya’s private banks, TQM has a significant role in achieving Customer Satisfaction. Companies employing TQM consistently strive to comprehend and supply their customer needs and anticipation, thereby directing them to strategize and optimize their service and product to meet and exceed customer satisfaction. TQM is also examined to exerts impact on Service Quality as well TQM encompasses quality control over all phases of the company including production process and service delivery. With the appropriate tools and methodologies, banks can maximize potential quality issues. TQM is also proved to have a significant relationship to Market Orientation. Under this influence, companies that implement TQM principles can optimally cultivate a strong market orientation, and enhance overall business performance and position in the market competitively.

Moreover, there is clear evidence that Service Quality holds substantial impact over Customer Satisfaction. Banks that can deliver services that aligned with customer expectation have the potential to amplify customer satisfaction. Lastly, it is also proven that Market Orientation has a significant impact on Customer Satisfaction. When a company are able to examine customer buying pattern and market desire, it become agile to respond and adapt to the current financial landscape. As the result, banks can strategize to heightened satisfaction level of consumers.

In conclusion, TQM plays a vital role in driving customer satisfaction, service quality, and market orientation within companies. By adopting TQM principles, companies can enhance and sharpen their understanding of customer needs, improve service quality, and remain responsive to market dynamics. The customer-centric and market-driven approach of TQM, paired with a focus on continuous improvement and employee empowerment, positions companies for long-term success and competitive milestones.

However, in this study there are limitations. Future research in this area should delve and dig deeper into more specific strategies and best practice in implementing the concept of TQM in banking sector. Data is a subjective proof of business originating from private bank workers, a fact that carries the risk of accepting biased answers. However, this can be the subject of future research on the banking industry with wider scope of research.
REFERENCES


