

Need for quality assurance in investment banking marketing essay

[Finance](#), [Banks](#)



Abstract

Banking Investment or investment banking is part of the financial services industry and offers an increasingly important range of services to corporations throughout the world. The range of products and services is increasing rapidly and it is difficult to distinguish the most important services because investment banks offer their services in different forms (Turnbull and Moustakatos, 1996)[1]It is a field that aids companies in acquiring funds, advising for wide range of transactions a company might engage into (www.wisegeek.com).[2]As it is clear the investment banking deals with providing financial assistance to the companies for business matters, it is essential to ensure quality service in the area. Quality assurance is the main pillar of any business whatever it may be, either finance or storage facility or any service, quality industry is the most important aspect which affects the level of success of business. The quality assurance is essential as it further helps in conducting other evaluation processes like standards compliance evaluations, brand assurance evaluations, customer or guest experience evaluations, etc. (www.totalqualityassuranceservices.com). The present paper presents the quality assurance in investment banking

Investment Banking

Investment banks have multilateral functions to execute in favor of various companies. The service mainly deals with companies like helping private and public corporations in issuing securities in the primary market, guarantee by standby underwriting or best efforts selling and foreign exchange management. The service also includes providing financial advice to

investors and serves them by assisting in purchasing securities, managing financial assets and trading securities (www. economywatch. com).[3]

Need for Quality Assurance in Investment Banking

Williamson (1988, p. 55) stated that investment banking has been and will continue to be an increasingly intensively competitive business as the capital markets and securities industry adapt to many important changes. It is further mentioned that changes are several and interactive which include emergence of institutional investors as the dominant participant in the capital markets, internationalization of the capital markets, infusions of technology in telecommunications and data processing that enable investment banks and their customers to organize and distribute extraordinarily different kinds of information, complexity is greater, innovation is common, product has eclipsed service, capital market capabilities are replacing institutional intermediating capabilities and commercial banks are becoming increasingly active and effective competitors in investment banking. Further quality assurance is necessary to attract more number of clients which will be more helpful in times of unprecedented and inevitable competition from the other banking service sector.[4]

Quality Assurance in Investment Banking

Quality Assurance is relatively new field in the banking industry which will be responsible for evaluation of the systems and recommending quality assurance standards in line with best business practices. The process is undertaken by chalking out methodology which includes clear definition of

goals and matrix of service deliveries performance criteria, establishment of benchmark of service standards, strengthening of procedure and standards at corporate level, efficient utilization of available resources with appropriate delegation of powers among various hierarchy so that different functions are carried out in an expeditious and cost effective manner, evaluation of performance of different services, and delivery standard and make recommendations for enhanced customer satisfaction, analysis, and surveys of the various services offered, and elimination of redundant internal processes, procedures and duplication and designing standard operation procedure. Initially quality assurance will be started by following three pronged strategy i. e. (i) develop the system, (ii) document the system, and (iii) analyze the feedback and make further recommendations (www. sbp. org. pk)[5] Assurance of quality is considered to be the strongest when a firm commitment offering is negotiated with a single investment banker rather than auctioned through a competitive bid and is considered to be strongest when registered using traditional rather than shelf registration (Williamson, 1988, p. 69) Turnbull and Moustakatos (1996) mentioned that service businesses can grow in one or more of three ways by attracting new customers, encourage existing customers, and to purchase greater qualities or high value services, by terminating unprofitable stagnant or otherwise unsatisfactory relationships and replace them with new customers who can match the firm's profit, growth and positioning strategies. It is further mentioned that reputation for the quality and the independence of advice, for integrity, for relation orientation and for a broad range of products and services are the major dimensions of reputation that assures about the

quality of investment banking. The banker's ability to enhance client value through innovative and creative service packages is also critically important. The treasurer of one company concluded that investment bankers are masters of psychology. Their mastery lies in knowing how to serve while at the same time being accorded a superior status that justifies their income. Investment bankers seek to cultivate an image of competence and quality which is especially important in a competitive professional service business (Eccles and Crane, 1988, p. 69).[6]Neely (1999) mentioned that quality assurance includes managing the quality assurance activities system, quality control diagnosis, new product and technology development, process control, process analysis and process improvement, status of inspection, quality evaluation and quality audit, managing production equipment, instruments and vendors, packaging, storage, transportation, sales and service activities, grasping and responding to product usage, disposal, recovery, and recycling, customer satisfaction, assuring reliability, safety, product liability and environmental protection.[7]

Cowling and Newman (1995) mentioned that Total Quality Management (TQM) principles are being adapted by many service industries to provide quality service to its customers or clients. It is further stated that application of TQM principle is proving attractive to major service industries which will help them to deliver a better quality service and achieve greater customer satisfaction.[8]Managers are required to be sensitive to different demands and needs when developing their operational, human resources and marketing strategies with a view to improving the quality of service they

offer to their customers as they are willing to pay for better premium services. Assurance is an important factor for both men and women in their perceptions of service quality and ability of staff to exhibit communication skills and to deal confidentially with clients' request (Spathis, Petridou and Glaveli, 2004).[9] Increased customer expectations have created a competitive climate whereby the quality of the relationship between the customer and the institution has taken on a greater significance in some cases than the product itself. It is further stated that customers evaluate the quality of service they implicitly decide what aspects of service are the most important to them. A variety of methods have been developed to ascertain the determinants of the concept of service quality as well as the appropriate quality measurement techniques (Joseph et al, 2005).[10]

Conclusion

The investment banking industry's competitive structure is characterized by both increased concentration and increased fragmentation. The quality of the main contact between investment bank and customer is the main yardstick against which customers judge the service performance of an investment bank. Quality of advice was another important dimension and generally the service quality is one of the most critical issues in investment banking industry. Investment banks must improve and emphasize various service dimensions in order to enrich their service quality. Just providing all the elements of high quality service is not enough, but managing the quality is crucial. It is further mentioned that investment banks have to manage in a different way the outcome of the service from the service process in order to

optimize the rendered service quality. The dimension of reliability is largely concerned with the service outcome, while the other dimensions are more related to the service process. Providing right advice at the right times demonstrates that the bank is reliable financial adviser and is able to meet the clients expectations. However it is important to exceed the customers' expectations during the service process by being responsive, willing to help and explain to the customer, inspiring confidence, and adopting an institutionalized approach (Turnbull and Moustakatos, 1996) Service quality is being recognized as one of the key strategic value which results in satisfied and retained customers, opportunities for cross selling, attraction of new customers, development of customer relationships, increased sales and market shares, enhanced corporate image, reduced costs and increased profit margins and business performance (Joseph and Stone, 2003)[11] Thus quality assurance is an important element in attracting customers or client in the investment banking sector.