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MEASURING SERVICE EXCELLENCE IN BANKING INDUSTRY
USING AN INTEGRATED APPROACH

An Empirical Study in the Saudi Context

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of Doctor of Philosophy

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ABSTRACT

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Measuring Service Excellence in Banking Industry Using an Integrated Approach: An Empirical Study in the Saudi Context

Keywords: Service Quality, Service Excellence, Organisation Excellence, EFQM Excellence Model, Customer Expectation, Customer Perception, Customer Satisfaction, SERVQUAL, Gap Model, Banking, Empirical Study.

The research sought to investigate the Critical Excellence Factors (CEFs) that drive Excellence in banking industry. Moreover, it examines whether customers perceive the service of an excellent bank differently from a less-excellent bank.

Three hypotheses were formed then tested through case study and survey strategy (triangulation), within the Saudi banking industry context. The study combines the EFQM excellence model as an internal assessment tool (case studies), with the SERVQUAL gap model for external assessment (questionnaires). Analysing and contrasting the two sets of results allowed the study to achieve its main objective.

Based on the empirical work, the study identifies several CEFs that must be carefully considered when driving excellence in banking. These factors were proposed in a generic integrated model for driving Excellence in Banking

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In the name of Allah most gracious most merciful

Praise be to Allah, the lord of the worlds. And the blessings and the peace be upon the last messenger of Allah, Mohammed (peace be upon him).

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DEDICATION

Dedicated to

*My Father,
Who is my first mentor*

*My Mother,
Who always inspires me with her prayer, love and wisdom*

*My Wife
Without whose sacrifice, understanding and encouragement,
this thesis would not have been possible*

*My Brother
Riyadh
Who supported and encouraged me during my PhD journey*

*And My Son
Abdulrahman
For what he gives to me, his love, and inspiration*

LIST OF PUBLICATIONS

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2. Al-rayes, M. and Zairi, M. (2005) Measuring the Impact of Service Excellence, In *Proceedings of Conference on Quality in Service*, 8th - 9th September, Palermo-Italy, pp. 318 - 322.
3. Al-rayes, M. and Zairi, M. (2006) Measuring the Impact of Service Excellence: An Empirical Study in The Saudi Context *International Journal for Management Theory and Practice*, Vol. 41, pp. 36 – 42 (ISSN 1820-0222)
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LIST OF ABBREVIATIONS

ANB	Arab National Bank
ARCCEC	Al-Rajhi Co for Currency Exchange and Commerce
BSF	Banque Saudi Fransi
CAI	Credit Banque Indosuez
CEF	Critical Excellence Factor
EFQM	European Foundation for Quality Management
EQA	European Quality Association
GOSI	General Organisation for Social Insurance
HSBC	Hong Kong and Shanghai Banking Corporation
KPI	Key Performance Indicator
KPI	Key Performances Indicator
MBNQA	Malcolm Baldrige National Quality Award
OPEC	Organization of the Petroleum Exporting Countries
PIF	Public Investment Fund
PIF	Public Investment Fund
PZB	Parasuraman, Zeithaml, and Berry
ROA	Return On Assets
ROE	Return On Equity
SABB	Saudi Arabia British Bank
SAMA	Saudi Arabia Monetary Agency
SAMBA	Saudi American Bank
SCB	Saudi Cairo Bank
SE	Service Excellence
SHB	Saudi Hollandi Bank
SME	small and medium size enterprises
SQ	Service Quality
SSB	Shari'ah Supervisory Board
TQM	Total Quality Management
USB	United Saudi Bank
USCB	United Saudi Commercial Bank

CHAPTER ONE:
INTRODUCTION

1.1 BACKGROUND

In many studies, Service Quality (SQ) has been correlated with customer satisfaction within the banking industry (LeBlanc and Nguyen 1988; Blanchard and Galloway 1994). In addition, successful service organisations are making a great effort to achieve Service Excellence (SE). Satisfying all stakeholders is considered one of the fundamentals within many excellence models, for example, European Foundation for Quality Management (EFQM) and Malcolm Baldrige National Quality Award (MBNQA). However, banks now know that delivering quality service to customers is essential for success and survival in today's global and competitive banking environment (Wang et al. 2003). There are two main strands of literature in which theories and models related to SQ have been developed. They are: a) Service Marketing; and b) Total Quality Management (TQM) literature. Each pool of literature tackles the SQ topic from a different perspective. In addition, each area of literature has its potential advantages and drawbacks.

The Service Marketing literature reveals that excellence in service provision, and partially in the context of banks, is generally based on measurement of outcomes. Particularly, through the extensive use of the SERVQUAL gap model (Angur et al. 1999; Lassar et al. 2000; Newman 2001; Arasli et al. 2005), or else through the adaptation of the SERVQUAL (Bahia and Nantel 2000; Aldlaigan and Buttle 2002). Basically, SERVQUAL gap model (Parasuraman et al. 1988) is a 22-item Likert scale

survey instrument, which compares customer expectations and perceptions regarding five attributes of SQ: Tangibles, Reliability, Responsiveness, Assurance, and Empathy.

The TQM literature has also contributed significantly in developing theories and models for quality enhancement in service organisations. For example, the EFQM Excellence model is a continuation within the TQM literature that has been influential in improving SQ. The EFQM Excellence Model was described as a practical tool that helps organisations in establishing an appropriate management system by measuring where they are on the path to Excellence, helping them to understand the gaps, and then stimulating solutions (EFQM 2003).

The EFQM model has much strength. First, the model provides a holistic approach to achieving SE. Second, the model focuses on satisfying all the company's stakeholders rather than only customers or shareholders. Third, the strength of the model is apparent since it is related to the financial results. So the model indirectly includes shareholders' interests, but more importantly it helps the intuitive understanding of what is needed to improve the financial result. Finally, the EFQM Excellence model is a strategic internal assessment tool, based on the TQM principles, that helps in clearly identifying any causes of service gaps. Moreover, it ensures that SQ is delivered continually through its strategic philosophy.

Nonetheless, the EFQM model has several limitations. First, there is little literature and few empirical studies on this model, as a result of its short life. Second, the EFQM model is based on a sound and logical 'causal structure' since it is stipulated by the EFQM that there is a causal relationship between enablers and results (Ghobadian and Woo, 1996). However, there is a lack of evidence supporting the causal structure. Black

and Porter (1996) argue that “many quality award-based frameworks were not developed using a scientific approach, based on the identification and validation of Critical Success Factors [CSFs] but rather mainly result from the assembling of *ad hoc* evidence and successful case stories. They are not based on systematic empirical evidence.”

1.2 PROBLEM STATEMENT

Only a few studies have attempted to test the causal structure that underpins the EFQM excellence model. A few researchers have directed their investigation towards this matter (e.g. Ghobadian and Woo 1996; Dijkstra, 1997; Eskildsen and Dahlgaard, 2000; Esquildsen et al., 2001; Eskildsen et al., 2000; Bou-Llusar et al., 2005). However, the empirical research on the causal relationships within the EFQM excellence model is still limited, since it is mostly based on studies that test isolated associations.

On the other hand, the issue SQ in the retail banking environment has been the focus of the Service Marketing literature. The literature in this area reveals that excellence in service provision, and particularly in the context of banks, is generally based on:

- measurement of outcomes,
- extensive use of SERVQUAL, and
- no linkages between internal processes.

Based on the review of the two sources of literature, and the limitation of the models retrieved in this respect (EFQM and SERVQUAL), the researcher formulated some research questions as follow.

1.3 RESEARCH QUESTIONS

From the research problem, five research questions emerged.

1. What are the main elements that drive and sustain excellence in banking, what can be called the Critical Excellence Factors (CEFs)?
2. What are the relationships among these CEFs?
3. Do customers perceive excellent bank that apply CEFs differently?
4. In what way do the CEFs affect the bank's Key performance Results?
5. What are the benefits and obstacles to implementing these CEFs in the bank?

1.4 RESEARCH HYPOTHESES

To answer the previous questions, three hypotheses were formed, derived from the review of the literature:

H1: An organisation that drives excellence internally (i.e. Enabler criteria) impacts positively on customers' perception externally (i.e. on the SERVQUAL gap).

H2: Customers' perception (i.e. SERVQUAL score) is positively correlated with the assessment score of the "Customer's result" criterion within the EFQM model.

H3: Organisations that attract positive customer perceptions externally will have healthier financial results. In other words, there is a positive relationship between the SERVQUAL gap size and the "Key performance result" criterion through the Customer result criterion.

1.5 PURPOSES OF THE STUDY

This study mainly aims to explore and identify the major CEFs within the banking industry. Furthermore, it will investigate the dynamic relationships among CEF elements. Finally, it will measure the impact created by the CEFs on customers' perceptions. The study had the following primary objectives:

- To study the relevance of SQ and Excellence in the banking industry.
- To identify the CEFs that affect SE in the financial services.
- To discuss various models of SQ and Excellence and to identify common generic factors.
- To compare key drivers of Service Excellence and key enablers that impact using a sample of different banking institutions (qualitative). Further, to determine how good they are in driving Excellence.
- To evaluate the conceptual aspects of service provision from a user point of view (using SERVQUAL).
- To investigate how driving excellence internally is correlated to customers' perception externally.
- To build a proposed model of Service Excellence in the banking industry sector.

1.6 IMPORTANCE OF THE STUDY

Nine out of ten new jobs created are in the service industry, making the service sector the fastest growing segment of the economy. Seventy-five percent of the gross national product comes from the service industry, giving productivity of service businesses a far-reaching impact on the economy. The American Customer Service Index (ACSI), the first U.S. economic indicator to measure customer satisfaction (Fornell, 1992),

acknowledges this growth and importance by rating customer satisfaction with the goods and services of 200 companies. Due to this exceptional growth, demand for service industry expertise and workers has increased at a faster rate than manufacturing industry expertise and the worker pool, creating a need for service sector knowledge, research, recruitment, and training. Intense competition and enhanced product offerings have led to higher expectations regarding SE and SQ, and this affects customer satisfaction. Customers who are not satisfied with the service provided by a bank will go elsewhere to fill their need (Rice, 1990). Service sector growth is expected to continue well into this century (Heskett, Sasser, & Schlesinger, 1997).

Because services are heterogeneous, intangible, perishable, and simultaneously produced and consumed (Gronroos, 1992), zero defects service is nearly impossible. Research indicates that only 5% to 10% of unhappy customers complain (Dube & Maute, 1996). The “silent dissatisfieds” simply leave, and more than 50% of customers who do complain feel worse about the company’s service delivery after lodging their complaint (Hart, Heskett, & Sasser, 1990). Satisfying and dissatisfying service encounters both influence firm profitability (Band, 1991; Hanan, 1989; Heskett et al., 1997; Horovitz, 1989; Lash, 1989). For a service firm, a 1% decrease in customer satisfaction corresponded to a 5% decrease in return on equity (Hart, 1988). Reichheld’s (1993) data indicated that MBNA Credit Card Company increased profits by 60% in 5 years due to increasing customer retention by 5%. Analysts have projected that it costs five times more to recruit a new customer than to retain an existing one (Reichheld & Sasser, 1990). Service businesses need a service strategy to achieve customer satisfaction and firm sustainability (Hocutt, Chakraborty, & Mowen, 1997). From a research standpoint, the present study is important because it includes a broader

spectrum of consumers by applying a recall design method and by investigating recalled service encounters, irrespective of how satisfaction or dissatisfaction occurred. The current justice and satisfaction service recovery research captures only those few customers who lodge complaints or experience a proactive service recovery. Previous research is predominately experimental scenario-based research and leaves a need for more realistic testing of service encounters and models (Smith, 1998; Tax et al., 1998).

1.7 RESEARCH METHODOLOGY

This study represents exploratory and explanatory research that aims to verify existing theories of SE in banking. Therefore, measurement of "what", "how" and "why" are required to understand the process of driving excellence. The "what" aspects of research necessitate the use of quantitative methods, while the "how" and "why" require qualitative methods.

In this study, a methodological triangulation approach, which combines quantitative and qualitative methods, will be adopted through a complementary use of secondary data, questionnaire survey, and case studies. The use of secondary data as a part of this research aims to verify the finding of this study.

The triangulation strategy of combining quantitative and qualitative approaches enriches the understanding of the subject by allowing an insight into the emerging dimensions. Study based on either a quantitative or qualitative strategy alone would be inadequate to get this deeper understanding, although a single method (quantitative or qualitative) has been applied in most of the previous empirical studies. Consequently, this study contributes to the methodology of research on banking service excellence by

demonstrating triangulation in qualitative and quantitative methods. The quantitative study provided useful information about customers' perception. On the other hand, the qualitative data generated by the means of focus group interviews were the major strategy aiming at identifying the common and distinctive CEFs. In addition, the analysis of the participating banks' documents and archival records strengthen the study findings since they can be considered as confirmatory sources. Following analysis of the data and comprehensive discussion and interpretation of the results, an integrated model for driving excellence in banking is proposed.

1.8 OUTLINE OF THE THESIS

This thesis is organised into nine chapters. The following is a brief description of each chapter:

Chapter One provides an overview of the study, and the background for the later chapters of the thesis.

Chapter Two presents the first part of the literature review of this study. It provides relevant literature from several fields; these involve an overview of the nature of services, a definition of SQ, and discussion of its evolution and importance.

Chapter Three presents the second part of the literature review. It details the two major schools of thought by illustrating their popular theories and models related to SE and SQ. It starts with the Marketing literature, then the TQM literature. Afterwards, as a result of the detailed critique of each school the emergent research opportunity and the conceptual framework of this study are pointed out.

Chapter Four provides a detailed overview of the Saudi financial sector; particularly the Saudi banking industry, where this study was conducted. This chapter covers such issues as, the Saudi banking history, and revolution of the banking system; moreover brief background to all banks currently operating in the Kingdom is given.

Chapter Five provides a detailed discussion of the research design and methodology issues that the researcher needs to deal with. It also explains the reasons for selecting methods for data collection, and describes the design of data collection instruments.

Chapter Six contains an analysis of the quantitative data obtained from the survey and the case study strategy.

Chapter Seven provides a critical analysis of the qualitative data generated from the five case studies undertaken to investigate the process of driving excellence in banking.

Chapter Eight provides a comprehensive discussion of the quantitative and qualitative findings presented in Chapters Six and Seven, and a triangulation between the quantitative and qualitative data in the light of relevant literature. Based on the outcomes it proposes an integrated model for driving excellence in banking.

Chapter Nine discusses the conclusions that may be drawn from the findings of the quantitative and qualitative studies. Furthermore, the limitations and the contributions of the study are discussed, and suggestions made for several directions of future research.

1.9 SUMMARY

This chapter introduced the research topic by describing the background of the study. The problem statement was discussed, followed by a discussion of the need for the

study. The purpose of the study was discussed, which concerns discovering the CEFs that drives excellence in banking. Next, the research questions were developed. The methodology adopted for this study was then briefly discussed, followed by an outline of the thesis. The next two chapters provide a review of the relevant literature upon which this thesis is built.

CHAPTER TWO:

LITERATURE REVIEW (I): AN OVERVIEW OF SQ

2.1 INTRODUCTION

A great deal is written about the service industry. Academic journals such as *Managing Service Quality*, the *International Journal of Service Industry Management* and magazines such as *Service Excellence* are packed with articles and features on management issues within this sector. SQ and service excellence are key topics within this subject field and thus highly relevant to this research.

2.2 NATURE OF SERVICES

According to Gummesson (1993) services are “something which can be bought and sold but which you cannot drop on your foot”. Grönroos (2000) believes services to be “an activity of more or less intangible nature that normally, but not necessarily, takes place in interactions between the customer and service employees and/or physical resources or goods and/or the service provider, which are provided as solutions to clients problems”.

Ghobadian, Speller and Jones (1994), believe that the service sector encompasses a diverse and complex range of organisations and enterprises. These include:

1. national and local government: for example, education, health, social security, police, the military, transport, legal, information, and credit;
2. non-profit private services: for example, charities, churches, research foundations, mutual societies, and art foundations;
3. for-profit private services: for example, utilities, hotels, airlines, architects, restaurants, solicitors, retailers, entertainment, banks, insurance companies, advertising agencies, consultancy firms, market research companies, and communications.

The above list is not exhaustive; however, it helps to demonstrate the varied and complex nature of the service sector.

2.1.1 The potential of the Services Sector

A few years ago, only a few people and companies anticipated the need for e-mail, online banking, and many other new services. Nowadays, many individuals can not live without them. On the other hand, many businesses gained their competitive advantages through anticipating such a revolution. The service sector is going through almost revolutionary change, which dramatically affects the way in which people live and work. Numerous new services are being launched on a continuous base to satisfy humans' discovered and undiscovered needs.

Rathmell (as cited by Dotchin & Oakland, 1994) claims that the growth of service is a result of people having more discretionary income and more discretionary time. He believes that, because there can be only a finite need for most classes of goods, consumers use their surplus resources to obtain services. Bareham (1989) summarised the reasons for the continuing growth of services in terms of four fundamental factors that have strong influence on the buying process:

- Cultural changes, as evident in the wide concern with health, fitness and environmental safety, have created new markets for both goods and services.
- Demographic changes, in particular the ageing population of most western countries, have also created specific demand; for example, holidays specialising in the needs of retired people, nursing care, residential care and retirement accommodation.

- Lifestyle changes, including flexible work patterns and changing expectations about leisure, have led to demand for personal services, time-saving services, and services which provide particular experiences and cater for special interests.
- As service organisations increase in scale, they are able to use promotion to increase demand for their offerings further.

Dotchin & Oakland (1994) confirmed the significant importance of the service sector to the whole economy by presenting three facts:

1. Service organisations employ about 70 per cent of the UK working population.
2. Deming estimated that 44 per cent of employment in manufacturing companies is of people providing service. Functions like marketing, finance, and purchasing provide supporting services to the production function and to customers.
3. Service is also a major element in achieving competitive advantage.

2.1.2 Service Characteristics

There are major differences between the service and manufacturing sectors as far as "quality" is concerned. Certain inherent characteristics of the service sector increase the complexity of "quality control" and "improvement efforts". Much of the services marketing and management literature points to a range of broadly similar and 'special' characteristics (see, for example, Bowen and Schneider, 1988; Lashley and Taylor, 1998). In fact, Bitner, Fisk and Brown (1993) argue that the main contribution of the services marketing literature up to 1980 was the delineation of service characteristics.

These characteristics, first noted by Regan (1963), have subsequently been discussed and developed by others including Grönroos, (1980); Parasuraman *et al.*, (1985); Grönroos, (1988); Zeithaml *et al.*, (1990); Ghobadian *et al.* (1994); Groth and Dye,

(1999). The following are the main service characteristics that make services unique and different from goods:

1. *Intangibility.* Unlike manufactured goods, which are tangible, a service is intangible. The products from service are purely a performance. The consumer cannot see, taste, smell, hear, feel or touch the product before it is purchased (Ghobadian et al., 1994; Groth, and Dye, 1999; Zeithaml et al., 1990).
2. *Heterogeneity.* A service is difficult to produce consistently and exactly over time. Service performance varies from producer to producer, from customer to customer, and from time to time. This characteristic of service makes it difficult to standardise the quality of the service in the same way as is done for manufactured goods (Ghobadian et al., 1994).
3. *Inseparability.* In service industries, usually the producer performs the service at the same time the consumption of the service takes place. Therefore, it is difficult for the producer to hide mistakes or quality shortfalls of the service. In comparison, goods producers have a buffer between production and customers' consumption (Ghobadian et al., 1994).
4. *Perishability.* Unlike manufactured goods, services cannot be stored for later consumption. This makes it impossible to have a quality check before the producers send it to the customers. The service providers then only have one path, to provide service right the first time and every time (Ghobadian et al., 1994).
5. *Non-returnable.* A service is not returnable, unlike products. On the other hand, in many services, customers may be fully refunded if the service is not satisfactory (Groth and Dye, 1999).
6. *Needs-match uncertainty.* Service attributes are more uncertain than the product. This yield to higher variance of making a match between perceived needs and service is greater than perceived need and product match (Groth and Dye, 1999).
7. *Interpersonal.* Service tends to be more interpersonal than products. For example, compare buying a vacuum cleaner to contracting for the cleaning of a carpet. While

customers will judge the quality of the vacuum cleaner by how clean the carpet is, customers will tend to judge the quality of the carpet cleaning service on both the appearance of the carpet and the attitude of the technician (Groth and Dye, 1999).

8. *Personal*. Customers often view services to be more personal than products. For example, a customer may perceive the service of her car (balancing the tyres) as more personal than purchasing new tyres. If the same customer has problems later with the tyres, the defect in the tyres would be less personal than if the tyres were never balanced (Groth and Dye, 1999).
9. *Psychic*. Even though the food at a restaurant might not be as delicious as other famous restaurants, the customers will recognise the restaurant and tend to be satisfied if the service of the restaurant is excellent. Another example is when a flight is delayed, and people tend to be upset with this poor service. However, if the gate agent is very helpful and friendly, people tend still to be pleased with the service (Groth and Dye, 1999).

Grönroos (2000) attempted to summarise the main differences between services' and physical products' characteristics. His effort is demonstrated in Table 2-1.

Table 2- 1: Differences between services and physical goods

PRODUCTS	SERVICES
TANGIBLE	INTANGIBLE
HOMOGENEOUS	HETEROGENEOUS
PRODUCTION AND DISTRIBUTION SEPARATED FROM CONSUMPTION	PRODUCTION AND DISTRIBUTION AND CONSUMPTION AS SIMULTANEOUS PROCESSES
A THING	AN ACTIVITY OR A PROCESS
CORE VALUE PRODUCED IN FACTORY	CORE VALUE PRODUCED IN BUYER-SELLER INTERACTIONS
CUSTOMERS DO NOT (NORMALLY) PARTICIPATE IN THE PRODUCTION PROCESS	CUSTOMERS PARTICIPATE IN PRODUCTION
CAN BE KEPT IN STOCK	CANNOT BE KEPT IN STOCK
TRANSFER OF OWNERSHIP	NO TRANSFER OF OWNERSHIP

Source: Grönroos (2000)

2.3 SERVICE QUALITY

According to Fisk (1993), SQ is one of the leading themes of research in services. Therefore it is vital to clarify and define this term. However, defining quality is a prerequisite step to understanding the term, “service quality”.

2.1.3 Defining Quality

Initially the term "quality" means a different thing to different people. This is why defining "quality" is often the first step in most "quality improvement" journeys. A common understanding and vision of what is meant by "quality" will help the organisation to focus its "quality improvement" efforts. Thus, defining "quality" is not only important from a semantic point of view but, more importantly, it is required to direct employees' efforts towards a particular common cause. The common vision of quality is arguably more important in service organisations.

There are various definitions of quality. For instance, W. Edward Deming defines quality as a product or service “that helps somebody and enjoys a good and sustainable market” (Deming, 2000). Joseph Juran coined the phrase “fitness for use by the customer” as a definition of quality (Juran and Gryna, 1980). Philip B. Crosby bases his approach to quality on four absolutes: First, “Quality is conformance to requirements”. Second, “Quality is caused by prevention”. Third, “The performance standard is no defects”. Fourth, “The measure of quality is the price of non-conformance” (Crosby, 1980). Feigenbaum defines quality as “the total composite product and service characteristics of marketing, engineering, manufacture and maintenance through which the product and service in use will meet the expectations of the customer” (Feigenbaum, 1991).

Garvin (1984) who studied and investigated many quality definitions argued that it is possible to classify definitions of quality into five broad categories:

1. Transcendent: quality is synonymous with 'innate excellence', absolute and universally recognisable, timeless and enduring, an un-analysable property, which can be learned to be recognised through experience.
2. Product-based: quality reflects differences in the quantity of some ingredient or attribute possessed by a product.
3. User-based: the products that best satisfy customers' preferences and different wants and needs are those with the highest quality.
4. Manufacturing: focus is on the supply side; quality is primarily concerned with engineering and manufacturing practices and fulfilling tolerances.
5. Value-based: quality is about costs and price, a product with high quality provides performance or conformance at an acceptable price or cost.

In addition, Garvin (1988) identified the drawbacks of each of these approaches. He argued that organisations adopting only one of the approaches might face serious quality problems. He suggested that organisations should use multiple perspectives on quality and actively shift between different approaches. For example, the user-based approach can be used initially to identify important characteristics. Thereafter, a product-based approach can be used to translate the desired characteristics into parts and specifications. Finally, a manufacturing-based approach might be used to ensure that the production provides products that match the specifications.

2.1.4 Defining SQ

The concept of SQ is not easily defined or measured (Mackay and Crompton, 1988). The reason that SQ is difficult to define, describe, and measure is because of the

specific subjective nature of services. SQ is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it, with no overall consensus emerging on either (Gummesson, 1991; Wisniewski, 2001).

There are a number of different "definitions" as to what is meant by SQ. One that is commonly used defines SQ as the extent to which a service meets customers' needs or expectations (Lewis and Mitchell, 1990; Dotchin and Oakland, 1994a; Asubonteng et al., 1996; Donnelly and Wisniewski, 1996).

Other scholars defined SQ as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Edvardsson, 1998).

Initially, Parasuraman, Berry, and Zeithaml (PBZ) defined SQ as "Delivering quality service means conforming to customer expectations on a consistent basis" (Parasuraman et al., 1985). Subsequently, they defined it again as "a global judgment, or attitude, relating to the superiority of the service" (Parasuraman et al., 1988). Furthermore, many researchers in the SQ literature concur with this definition (Bolton and Drew, 1991; Cronin and Taylor, 1992; Boulding et al., 1993). Finally, SQ has been defined by PBZ as "exceeding what customers expect from the service" (Parasuraman et al., 1990). This is comparable to Lewis (1989) definition as "consistently meeting or exceeding customer's expectations".

Gummesson (1991) argued that the earlier mentioned study by Garvin (1984) which classified the main quality definitions under five different categories, does not

adequately account for the service area. Still, he stated that “the user-based approach is the one that is often used within the service management area” (Gummesson, 1991). Similarly, Ghobadian et al. (1994) believe that most of the SQ definitions fall within the "customer-led" category.

2.1.5 Evolution of SQ

Early investigations on quality focused only on the quality of products. Merely three decades ago, the birth of the service industries started. At that time, theoretical perspectives on SQ began to be developed. In particular, in the late 1970s, quality started emerging as the customer's perception. Fisk et al. (1993) categorised the evolution of the SQ literature to three stages: “Crawling Out (Pre-1980), Scurrying About (1980-1985), and Walking Erect (1986-now)”.

The shift in the world economy from a manufacturing-based economy to a service-based economy is considered to be the main reason for the huge evolution in the service marketing and SQ literature. Fisk et al. (1993) believed that this change has increased the need for understanding service characteristics and necessitates additional service research. The literature was formed by an international effort from its beginning, especially from countries such as Scandinavia, the United Kingdom, France, and the United States.

A further fact, which enhanced the SQ revolution and makes it a very important issue for both business and academia, was the governmental deregulation movement. As a result, tougher and increased competition was introduced in many service industries (e.g.: banking and telecommunications in the 1980s and utilities in the 1990s). SQ has

become so important that some businesses need high levels of SQ, not only for success, but in some cases, for survival.

SQ initiatives appear under two main guises, i.e. TQM, and Service Marketing. The awareness of SQ has been powerful in contributing considerably to the expansion of the general services marketing field. The reviews in Berry and Parasuraman (1993) and Fisk et al. (1993) recognise the contributions made by various academics both in SQ and in the general area of services marketing. For instance, Booms and Bitner (1981) proposed an extended marketing mix for services that confirmed the centrality of the service encounter in the marketing of services. They proposed that to the established four rudiments of product, price, place and promotion be added physical evidence, participant and process. This places the service experience in a central position in relation to the effective marketing of services.

2.1.6 Importance of SQ

SQ initiatives are now widespread across all sectors of the economy. Service industry is growing and becoming a major market for investors. Service companies are trying to find ways to improve and provide superior quality service to satisfy their customers. SQ and customer satisfaction are two of the most heavily studied concepts by managers (Shemwell et al., 1998). Satisfying customers is an ultimate goal for every company, as customers are the greatest resources for both short-term and long-term survival of the company.

Peters (1988) pointed out that those customers, even those buying hard goods, are concerned with far more than just the technical specification and that in the long term perceptions of care and responsiveness are even more important than the tangible

components of products. Similarly, Juran and Bingham (1974) observed that, “the user is only interested in services, even though he may seem to buy the product”.

In fact, all organisations compete to some degree on the basis of service. In what was referred to as the most exhaustive study in its history, the American Management Association surveyed over 3000 international respondents: 78 per cent identified improving quality and service to customers as the key to competitive success, and 92 per cent indicated that providing superior service was one of their key responsibilities, regardless of job position (Greenberg, 1990). Yet, few organisations undertake research to analyse the differences in the actions of companies or business units which consistently deliver superior SQ compared to the much larger number of firms that fail (Whiteley, 1991). Hart and Casserly (1985) noted that, given the strategic importance of SQ, there was surprisingly little attention paid to it, and that marketing and management texts in general did not address the topic. Quinn and Gagnon (1986) sounded a particularly dire warning as it related to the importance of service in our economy “It will take hard dedicated work not to dissipate our broad-based lead in services, as we did in manufacturing. Many of the same causes of lost position are beginning to appear. Daily we encounter the same inattention to quality, emphasis on scale economies rather than customer concerns, and short-term financial orientation that earlier injured manufacturing” (Quinn and Gagnon, 1986).

An approach of competing solely on the basis of product or price is no longer sufficient, primarily because product differentiation is becoming increasingly difficult. The distinguishing factor is rarely product superiority. Instead, the key is service and attention to the customer. Service is now the standard by which customers are measuring an organisation’s performance. Service is not a competitive edge; it is the

competitive edge (Desatnick and Detzel, 1993). A very good example is Dell's extra customer services strategy, as well as Toshiba, recently.

Numerous empirical studies confirmed the huge benefits of SQ. First, there is evidence of a positive relationship between perceived quality and an organisation's performance (Buzzel and Gale, 1987). Second, SQ is considered a critical determinant of competitiveness (Lewis, 1989). Furthermore, attention to SQ can help an organisation to differentiate itself from other organisations and through it gain a lasting competitive advantage (Morre, 1987). High quality of service is considered an essential determinant of the long-term profitability not only of service organisations, but also of manufacturing organisations (Margolies, 1988). In some manufacturing industries, SQ is considered a more important order winner than "product quality". Superior SQ is a key to improved profitability, and not the cost of doing business.

According to Buzzel and Gale (1987) companies with perceived high SQ normally had higher market share, higher return on investment and asset turnover than companies with perceived low quality. This led to the conclusion that in the long term, the most important factor affecting business performance is the quality of "goods" and "services" offered by the organisation, relative to its competitors. Finally, Lewis et al. (1994) summarised the costs and benefits to be derived from successful SQ as:

- satisfied and retained customers and employees,
- opportunities for cross-selling,
- the attraction of new customers,
- development of customer relationships,
- increased sales and market shares,

- enhanced corporate image, and
- reduced costs and increased profit margins and business performance.

2.1.7 The Determinants of SQ

Berry and Parasuraman (1991) confirmed that the only criteria that count in evaluating SQ are defined by customers. Only customers judge quality; all other judgements are essentially irrelevant. There is general agreement that a service comprises a complex bundle of explicit and implicit attributes (e.g. Grönroos 1984; Parasuraman et al. 1985; Bitner and Hubbert 1994). Nonetheless, through the focus group interviews and later empirical investigation done by Parasuraman et al. (1985; 1988), the researchers found consumers used ten determinants in their evaluation of the SQ process (Allred and Addams, 2000). The ten SQ determinants are listed below:

- | | |
|--------------------|--|
| 1. Access; | 2. Communication; |
| 3. Competence; | 4. Courtesy; |
| 5. Credibility; | 6. Reliability; |
| 7. Responsiveness; | 8. Security; |
| 9. Tangibles; and | 10. Understanding/knowing the customer |

These ten SQ determinants were collapsed by PZB into 5 dimensions because of the overlap across them. The five dimensions are as follows:

- **Tangibles:** Appearance of physical facilities, equipment, personnel communications and use of appropriate materials.
- **Reliability:** Ability to perform the promised service dependably and accurately.

- Responsiveness: Willingness to help customers and provide prompt service.
- Assurance: Knowledge and courtesy of employees and their ability to inspire trust and confidence
- Empathy: Caring individualised attention the service provider gives its customers.

Further details about those five dimensions are provided in the following chapter (Chapter three).

2.1.8 SQ Initiatives

Quality management in service industries first emerged from marketing's consideration of the applicability of the traditional manufacturing marketing mix to a service product. Specifically it addressed the problem of what, in the absence of a physical product, signalled quality to the customer? The resultant focuses on the dynamic and heterogeneous nature of the relationship between the organisation and its market, in particular the interpersonal encounter between the frontline employee and the customer, stimulated a new conceptualisation of the concept of quality from the customer's perspective.

In addition, quality initiatives appear under a variety of guises such as Total Quality Management, Customer Care, SQ Programme and Business Process Re-engineering (BPR). Quality initiatives are now widespread across all sectors of the economy and within the financial services sector (McCabe et al., 1998). For instance, a survey conducted within the financial services industry has revealed that 91 % of organisations had implemented one or more quality initiatives within the time period mid-1994 to 1997. More specifically, 51 % had adopted TQM, 69 % customer care programmes, 46 % corporate culture change programmes and 75 % BPR (McCabe et al., 1998). In

general, the up-take of quality initiatives within the service sector is undoubtedly influenced by their adoption in the manufacturing industries.

2.4 SERVICE QUALITY VS. CUSTOMER SATISFACTION

SQ and satisfaction are different, albeit interrelated concepts. Firstly, SQ is more likely to be defined for the perspective of managers, since they control the services provided for customers; while customers are more likely to evaluate their satisfaction with services (Iacobucci et al. 1995; Taylor and Baker, 1994).

Secondly, satisfaction is concerned with the short-term and specific transaction; on the other hand, SQ is concerned with more general, long-term, and global effects. Therefore, satisfaction is an antecedent of SQ (Oh, 1999). In contrast, some satisfaction research has explained quality as more specific judgment and satisfaction as the broader evaluation (Oliver, 1980). From this perspective, quality is sampled with each occurrence of the service, and these accumulate over time to result in long-term satisfaction. Consequently, satisfaction is theoretically influenced by SQ.

Thirdly, researchers have argued that when comparing SQ to satisfaction, satisfaction was based on emotional evaluations and subjective judgment (e.g., Cronin and Taylor, 1992; Iacobucci et al., 1994; Oh, 1999; Oliver, 1980; Zinn, 2000). In contrast to satisfaction, SQ, however, tends to be based on rational evaluations and objective judgments.

Fourthly, when evaluating a pleasant physical environment as well as service recovery, satisfaction had greater effects than SQ (Iacobucci et al., 1995). This finding suggests

that a pleasant physical environment and service recovery are likely to be more important to customers' evaluation of satisfaction.

2.5 SUMMARY

This chapter has focused on what the concept of SQ essentially involves. It started by describing the nature of the service sector and how it has recently become more significant than the manufacturing sector. After that, the general concept of quality and that of SQ was defined, and the need for a SQ measurement was demonstrated. Then, the history and evolution of SQ were discussed. Consideration was given to the importance of SQ and the factors that influence quality attributions. It discussed the definition of quality and provided a detailed discussion on the origin of quality definitions. Finally, the relationship between SQ and customer satisfaction was considered. Based on the literature reviewed in this chapter, the following chapter will demonstrate the main SQ measurement models that received the highest recognition by both academics and practitioners.

CHAPTER THREE:

**LITERATURE REVIEW (II): SQ MEASUREMENT
MODELS**

3.1 INTRODUCTION

Measurement of SQ allows for comparison before and after changes, for the location of quality related problems and for the establishment of clear standards for service delivery. Edvardson *et al.* (1994) state that, in their experience, the starting point in developing quality in services is analysis and measurement. The EFQM excellence model and the SERVQUAL model are studied in this chapter, since those two models have received an extensive recognition by both academics and practitioners.

In this chapter each school will be discussed individually, illustrating its strengths and weaknesses. The chapter concludes by showing the emergent research opportunity and how the conceptual framework for this study was constructed.

3.2 MAIN SOURCES OF LITERATURE

Most of the published work about SQ prior to the early 1980s came from practitioner sources rather than academic research. Early pioneers of SQ study, such as Christian Gronroos of Sweden and A. Parasuraman, Valarie Zeithaml, and Leonard Berry from the United States, laid down the building blocks through their rigorous academic research. Their studies were based on a synthesis of SQ literature.

Reynoso *et al.* (1995) and Angur *et al.* (1999) noted that the debate on SQ began in 1985 in the marketing literature. In addition, Angur *et al.* (1999) argue that in the 1990s the Total Quality Management (TQM.) literature become a rich source for the SQ topic, and significant contributions to the literature have been made by those working in the

fields relating to the TQM literature (i.e. operation management and organisational behaviour).

Hence, the Service Marketing and TQM literatures are the main two sources of literature in which most theories and models related to SQ have developed, that outline the rationale behind selecting these two sources of literature as the main sources of literature feeding this study. Yet, each source of literature has its advantages and drawbacks, since each school of thought tackles SQ from a different perspective. The following sections will provide further information about these two main strands of literature.

3.3 MARKETING LITERATURE

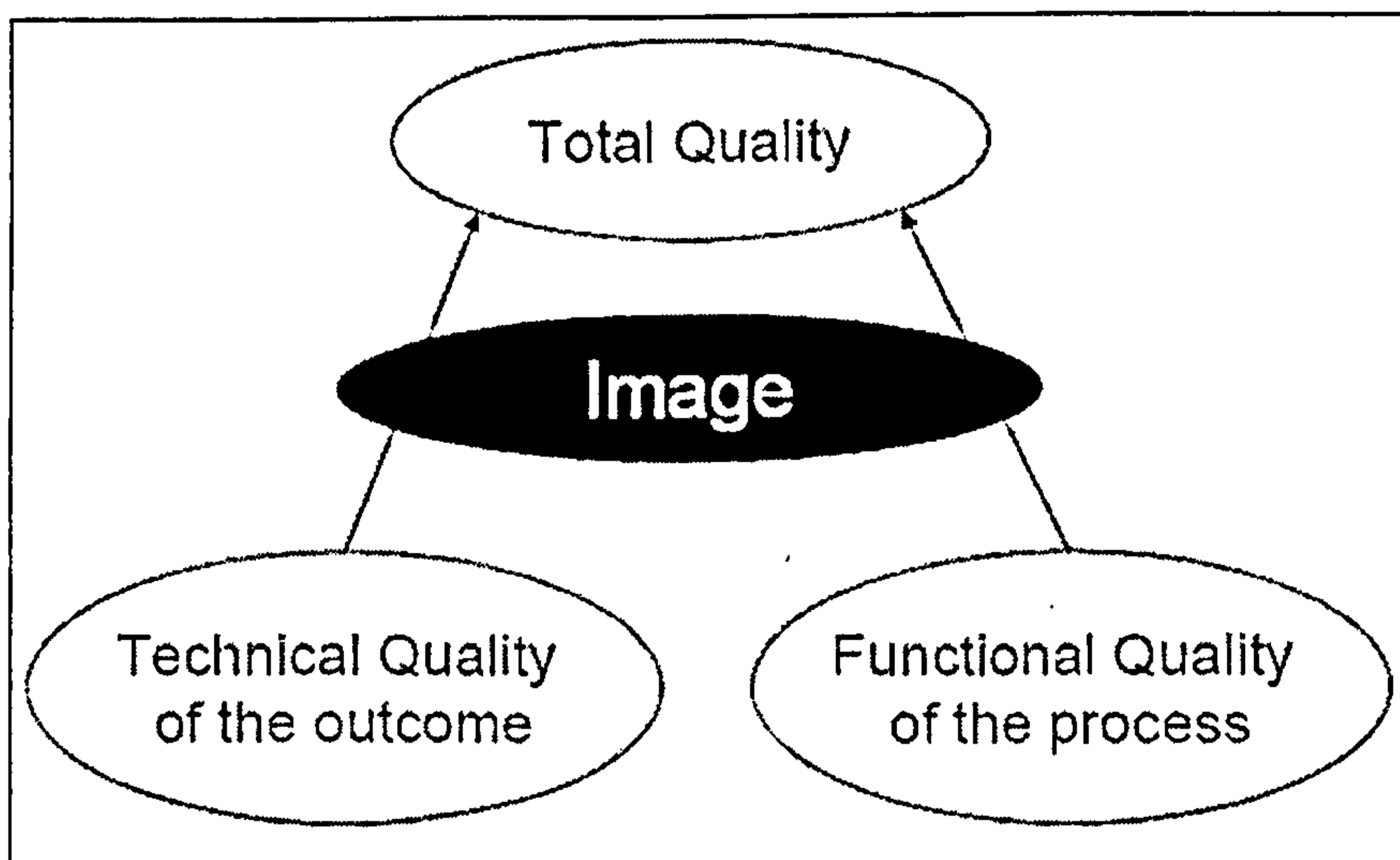
Marketing literature has developed many theoretical models on SQ. These models can be divided, based on their origins, into two schools of thought: the Nordic, comprising Gummesson, Gronroos, Lehtinen and Lehtinen; and the North American School, mainly dominated by Parasuraman, Zeithaml and Berry (PZB). The following sections will discuss the various schools in some detail.

3.1.1 The Nordic School of Thought

The Nordic School is represented by figures such as Gronroos (2000), who suggests that SQ is divided into two dimensions. The first dimension is *the technical quality*, i.e. what is being produced or the technical outcome of the service production processes. Technical quality can also be described as what the customer is left with when the delivery is over. A service is an act rather than a specific item and its quality will be judged not only by the outcome but also by the process by which the service is delivered, i.e. the functional quality (Ennew *et al.*, 1993). The second dimension, *the*

functional quality, describes the function of the service production process and consumption. This dimension concerns the interactions between the providing company's resources and the client with its end-users during the service production process. The technical quality is often evaluated more objectively since it consists of physical results. Other writers have made similar divisions such as Swan and Combs (1976) who used the terms instrumental and expressive SQ; and Sasser *et al.* (1978) who make a distinction between explicit and implicit SQ.

Figure 3-1: Two Dimensions of SQ



Source: Grönroos (2000)

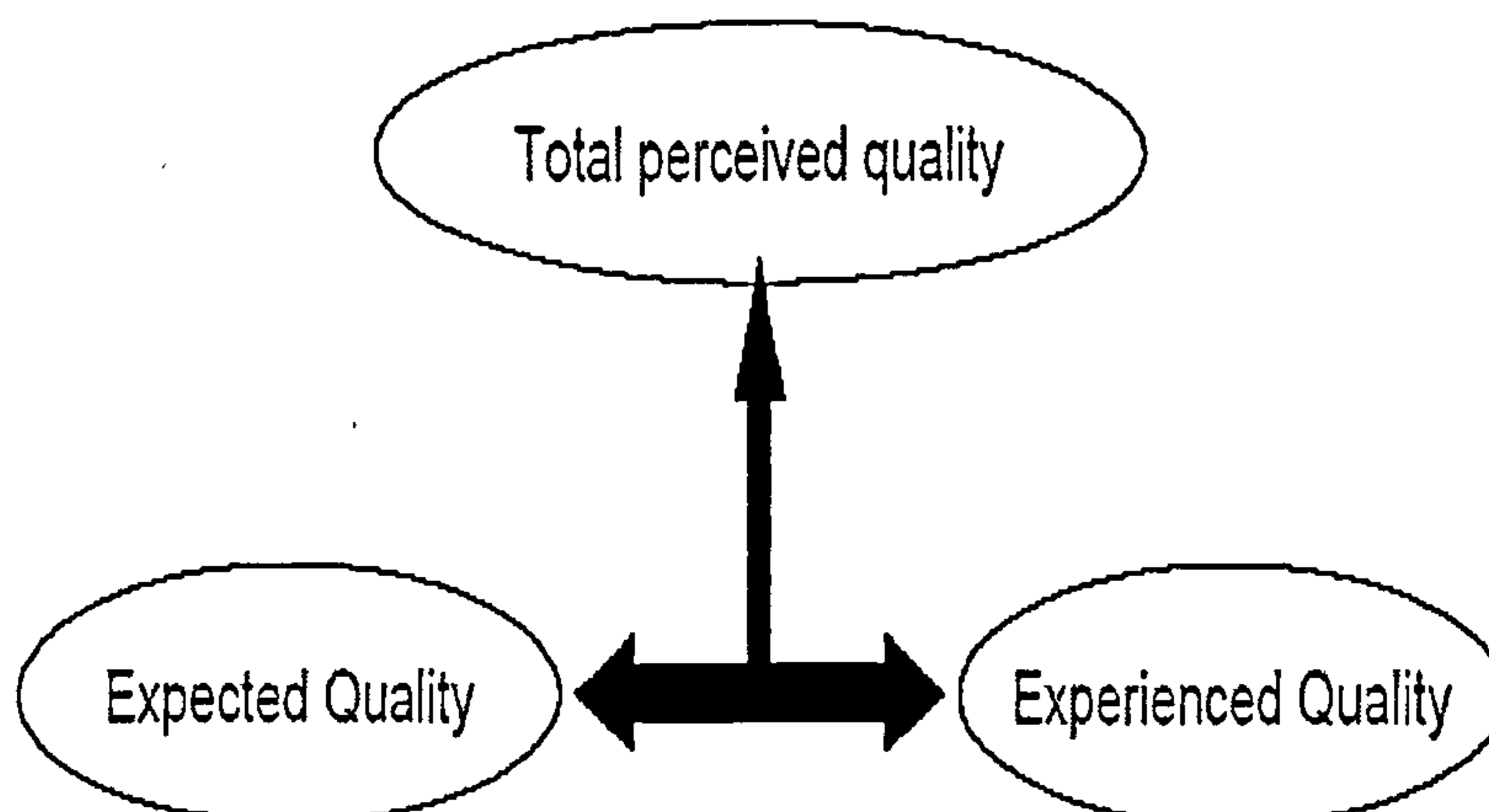
Figure 3-1 describes the relationship between the technical and functional SQ, and how these dimensions together with image create the total quality. The image of the provider is also a perspective that affects the perceived total quality and it works as a filter towards the other perspectives. Image contains the clients' thoughts and evaluations of the provider, and is not taken into account in this report. The figure further emphasises that a service has aspects of both technical and functional quality, which often creates problems. One example of this can be the need for a specific result (technical quality) at

a specific time (functional quality), where the perception of the result might be good, but it may be delivered too late (Grönroos, 2000).

Furthermore, some researchers suggesting additional dimensions to SQ. According to Kasper *et al.* (1999), there should be an additional dimension based on who is delivering the service, the *relational* SQ. Grönroos (2000) mentions two other dimensions, *economic quality* and a *servicescape quality*. The latter describes the environment in which the service is performed and the client's perception of its shape.

As mentioned above, technical and functional qualities are strongly affected by how the client perceives them. It is generally agreed that SQ is an attitude or judgement about the superiority of a service, although the exact nature of this attitude is not agreed on (Robinson, 1999). Instead of using total quality, it is better to talk about *total perceived quality*. How the client will judge the total perceived quality is now a direct effect of the expectations. In order to achieve good total quality it is therefore essential that it corresponds to, or exceeds the gap between expectations and experience (Grönroos, 2000; Deming, 1982), see Figure 3-2.

Figure 3-2: The Gap between Expectations and Experience



Source: Grönroos (2000)

Many researchers focus their work on what customers perceive to be quality. Parasuraman *et al.* (1988) identified five quality dimensions that affect people's perception of the service delivery: Assurance, Responsiveness, Reliability, Empathy and Tangible evidence. Service providers aim to produce both a physical result and to deliver it in a way that meets or exceeds client's expectations. Therefore, it is important to realise that there is an objective part of the SQ, where the resources used or the result produced have an actual quality. This is emphasised by Genestre and Herbig (1996), who argue that the product quality or outcome must also be included in the quality of the service. Sasser *et al.* (1978) also emphasise this and divide services into:

- *Physical elements*: supporting goods and facilitating goods
- *Explicit service*: sensory benefits
- *Implicit service*: psychological benefits

Gronroos' model has been criticised; and Gronroos (1993) summarised this criticism as the perceived SQ paradox and the confirmation/ disconfirmation dilemma. The above model has also been criticised on the grounds that it does not include the customer's past experience as a factor that influences expected quality, although PZB (1985) suggest it plays an important role in constituting customers' expectations. Additionally, Gronroos' model also does not take demographic characteristics directly into account, although customer characteristics may be responsible for the significant differences in expectations of quality (Bebko, 2000).

Lehtinen and Lehtinen (1991) offer a similar SQ model based on a three -dimensional approach. The components involved include physical quality, interactive quality and corporate quality. Physical quality encompasses all tangibles involved in service delivery and provides a basis for interactive SQ. However, very high physical quality

elements do not necessarily raise the standard of service when the interactive quality is not up to the same standard. Interactive quality varies within certain limits, depending on the momentary feeling of the interacting person. Corporate quality is developed during the history of the service organisation. It is symbolic in nature and can be experienced by a customer before participating in the service production process. Corporate quality often develops more incrementally, continuously, and intangibly from the beginning than physical quality, which can be suddenly and sharply improved by changes, such as renovations.

The perspectives of Gronroos and of Lehtinen and Lehtinen have both been widely discussed in the literature. These frameworks have intuitive appeal and in particular, the distinction between functional and technical quality is useful. It should be emphasised, however, that these discussions have been mainly of a conceptual nature and only a limited body of empirical work is available.

3.1.2 The North American School of Thought

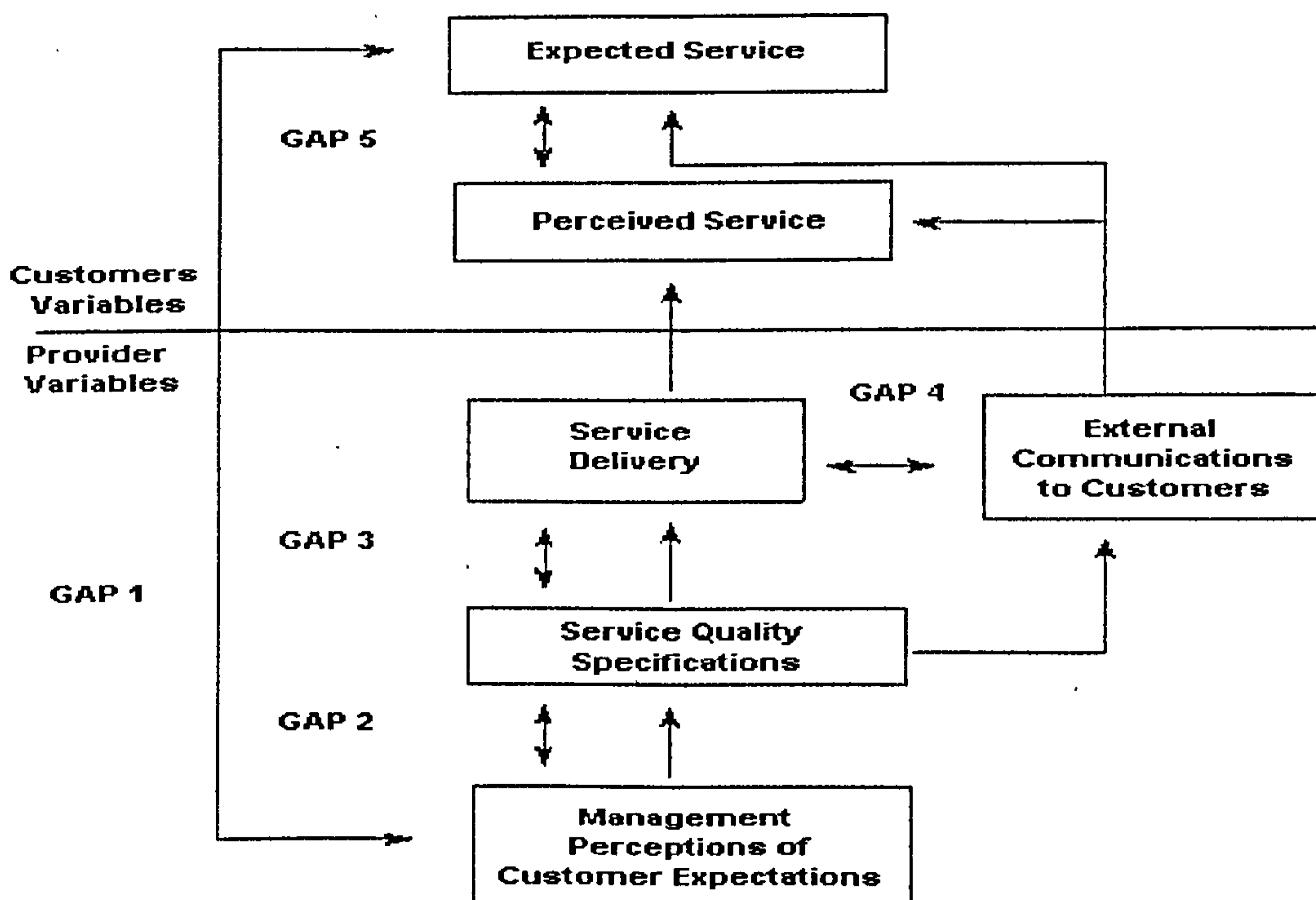
The North American School of thought also made similar progress in modelling SQ. It is dominated by the Gap Model which will be discussed in more detail, together with a review of the "Zone of Tolerance" model, which can also be seen as an extension of the work related to the Gap Model which is "one of the best received and most heuristically valuable contributions to the services literature" (Brown and Bond, 1995).

3.1.2.1 The Gap Model

Parasuraman et al. (1985), in their exploratory study, developed the "Gap Model" of SQ. This work was extended and refined in later articles by Zeithaml, et al. (1991) and Parasuraman, et al. (1990; 1991; 1993). The Gap Model as shown in Figure 3-3 directly

addresses not only the measurement question concerning overall SQ, but also the component parts of SQ that will ultimately determine overall SQ. PZB postulate that overall SQ as perceived by customers is a function of the gap between customers' expectations of the service and their perceptions of the actual service delivered by service providers. The size and direction of this gap is determined by the magnitude and direction of several other gaps which may occur within and beyond the service organisation.

Figure 3-3: PZB SQ Gap Model



Source: Parasuraman, Berry, and Zeithamal, (1985)

The primary aim of the extended SQ model as developed by Parasuraman et al. (1985) is to enable the management to enhance the quality of the organisation and its offering in a systematic manner. Following intensive exploratory work involving service customers, and the managers of service organisations, Parasuraman et al. (1985) proposed a model of SQ that can be summarised as “SQ as perceived by a user depends on the size and direction of the gap between expected service and perceived service,

which in turn depends on the nature of the gaps on the service provider's side, associated with the design, marketing, and delivery of the service" (Parasuraman et al., 1985).

The model attempts to show the salient activities of the service organisation that influence perceptions of quality. Moreover, the model shows the interaction between these activities and identifies the linkages between the key activities of the service organisation or marketers which are pertinent to the delivery of a satisfactory level of SQ. The links are described as gaps or discrepancies: that is to say, a gap represents a significant hurdle to achieving a satisfactory level of SQ. The gaps are described briefly in Table 3-1.

Table 3-1: Definitions of Gaps 1 - 5

Gap	Name	Definition
1.	Positioning	Difference between consumer expectations and management perceptions of consumer expectations due to a lack of or incorrect information
2.	Specification	Difference between management perceptions of consumer expectations and SQ specifications created by inadequate management commitment to SQ, perception of feasibility and inadequate task standardisation
3.	Delivery	Difference between SQ specifications and the service actually delivered. This gap is characterised by role ambiguity, role conflict, poor employee-to-job fit, poor technology-to-job fit, inappropriate supervisory control
4.	Communication	Difference between service delivery and what is communicated about the service to consumers, which is a communication problem
5.	Perception	Difference between the SQ perceived and that expected by the customer

The gap between users' expectations and perceptions (Gap 5 in the model) is caused by four other gaps, which are internal to the service provider. According to this, a service 'product' is designed and communicated to staff who then deliver it to customers. The effectiveness of this delivery is evaluated by obtaining customer feedback, the service design is adjusted and the process enters a new turn of the cycle.

In their research, Parasuraman et al. (1990) developed the SERVQUAL instrument which relates to the measurement of SQ as perceived by the customer (i.e. gap between customers' expectations of the service and their perceptions of the actual service delivered - Gap 5). Their model is based on Performance - Expectation (P-E) gap measures across ten dimensions: access, communication, competence, courtesy, credibility, reliability, responsiveness, security, tangibles, and understanding the customer. PZB were able to consolidate the ten dimensions listed previously into five dimensions of service. These are Tangibles, Reliability, Responsiveness, Assurance, and Empathy (see Table 3-2).

Table 3-2 : Five Dimensions of SQ

Tangibles:	The appearance of physical facilities, equipment, personnel and communication materials.
Reliability:	The ability to perform the promised service dependably and accurately.
Responsiveness:	The willingness to help customers and provide a prompt service.
Assurance:	The Knowledge and courtesy of the employees and their ability to convey trust and confidence.
Empathy:	The caring, individualised attention the company provides its customers.

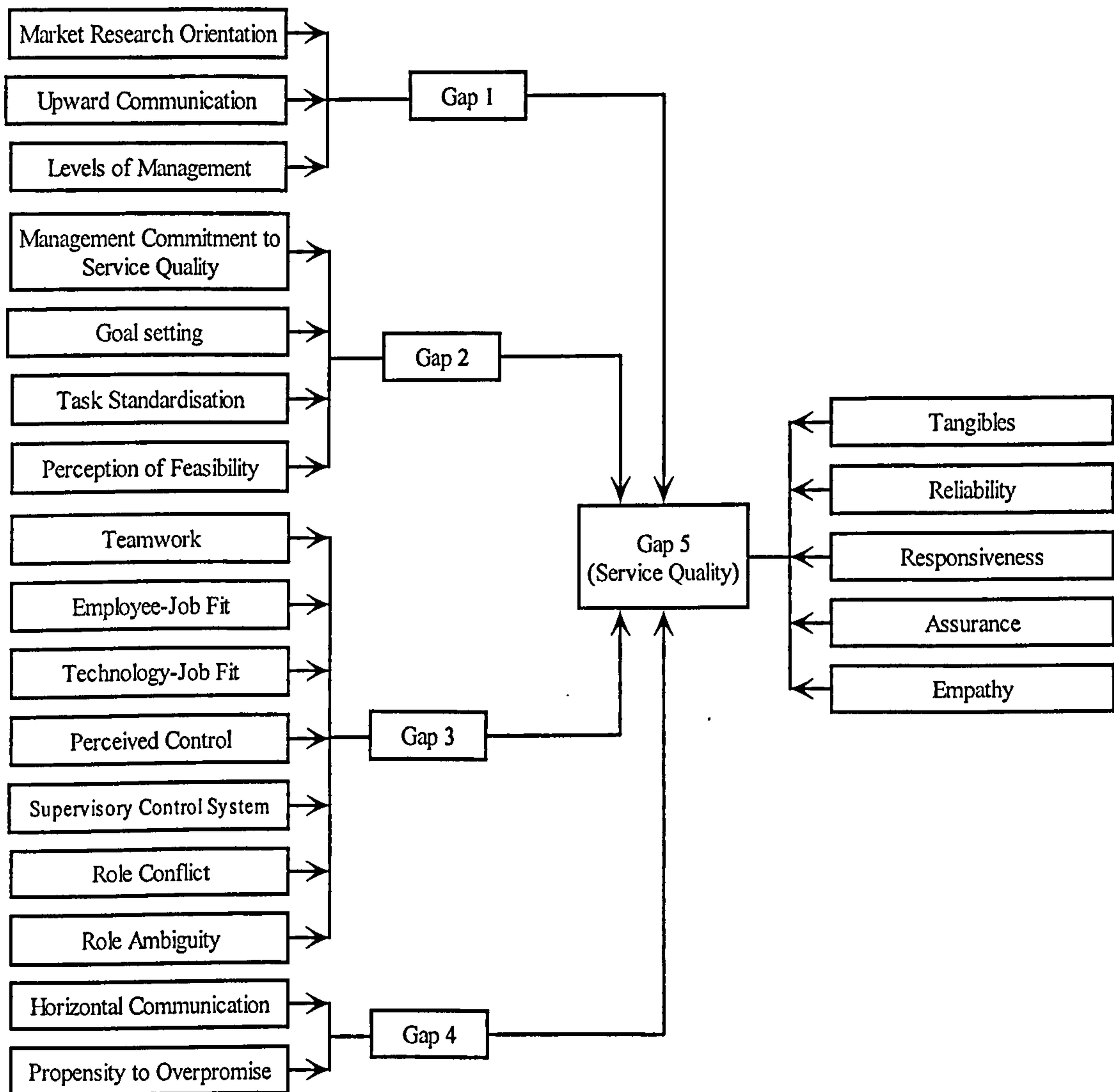
The standard measurement instrument that they developed for measuring gap 5 (difference between the SQ perceived and that expected by the customer) is based on the above five dimensions and comprises 22 statements. The instrument firstly measures the respondent's expectation of SQ and then his/her perception of an organisation's SQ. The difference between these two is then used as a measure of gap 5.

3.1.2.2 Causes of SQ Gap

The Extended SQ Model summarises the organisational constructs of the SQ gaps.

Moreover, it states that causes of the gaps are as shown in Figure 3-4.

Figure 3-4: Extended SQ Gap Model



Source: Zeithaml, Berry and Parasuraman (1988)

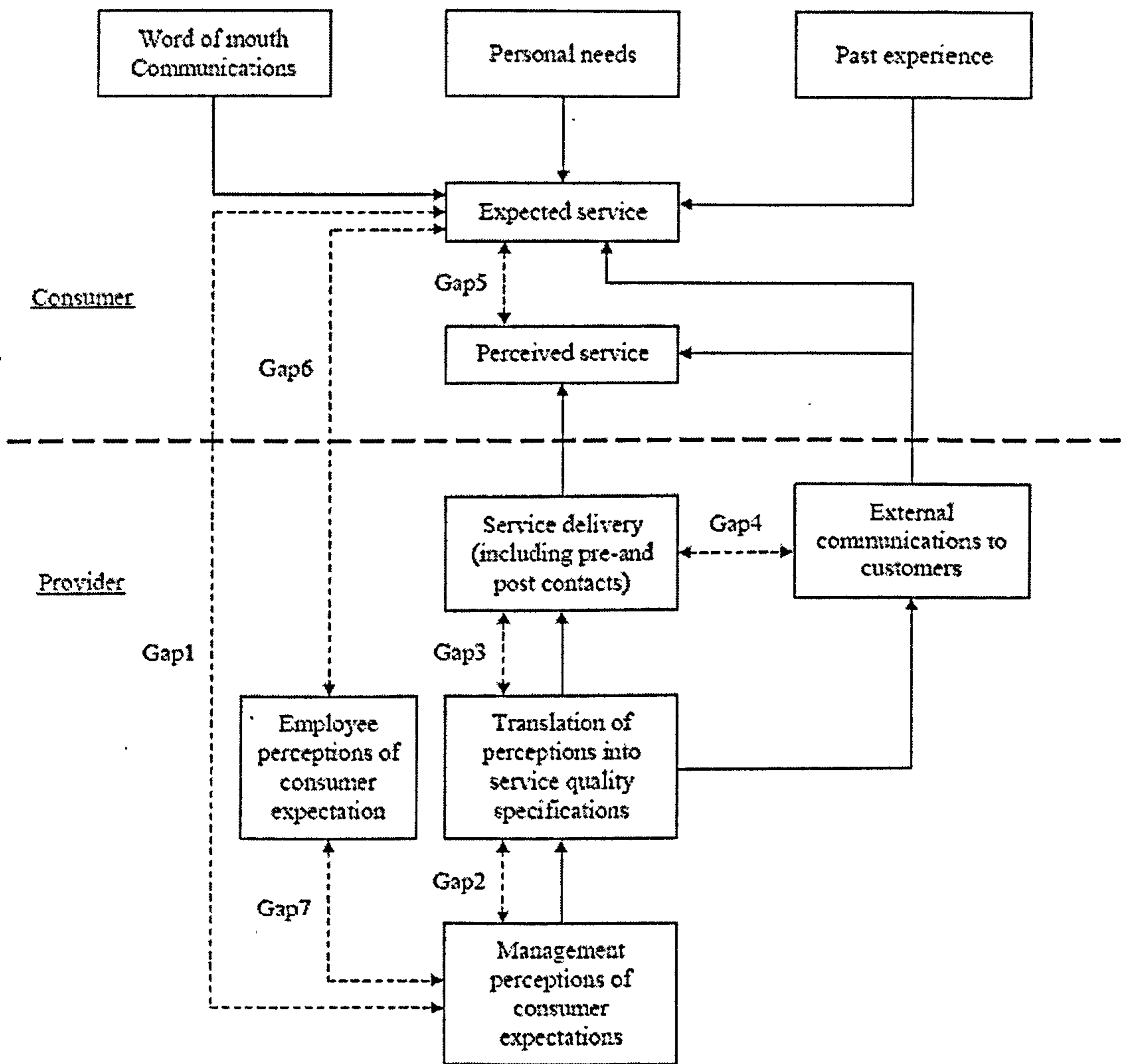
Based on an extensive literature review, Zeithaml et al. (1988) proposed the relationships depicted in Figure 3-4 between each gap and its antecedents. The antecedents to each gap were operationalised with multi-item scales for all but two

constructs. Levels of management and technology-job fit were regarded as narrow enough constructs to be captured by single items (Parasuraman et al. 1991). To test these relationships, data were collected from customers, frontline employees and managers with the intention of testing the whole model using several sets of multivariate regression analyses.

3.1.2.3 Extended Gap Model (7 Gaps)

Two new gaps are added by Luk and Layton (2002) to the 5-gap model proposed by PZB. These new gaps reflect the differences in the understanding of customer expectations by managers and front-line service providers and in customer expectations and service providers' perception of such expectations. Using room service as the object for investigation, this study provides empirical evidence indicating the existence of these gaps, which have a negative impact on overall SQ. The findings also indicate that the gap between customer expectations and managers' perception of such expectations is much larger than the gap between customer expectations and service providers' understanding of such expectations.

Figure 3-5: The Extended 7 Gaps model



Source: Luk and Layton (2002)

3.1.3 Critique on the SERVQUAL

Despite the growing popularity and extensive application of the SERVQUAL instrument it has been subjected to a number of theoretical and operational criticisms which were summarised by Buttle (1996), and divided into two parts, as follows:

A) Theoretical criticisms:

Paradigmatic objections: SERVQUAL is based on a disconfirmation paradigm rather than an attitudinal paradigm; and SERVQUAL fails to draw on established economic, statistical and psychological theory.

- Gaps model: there is little evidence that customers assess SQ in terms of P–E gaps.
- Process orientation: SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter.
- Dimensionality: SERVQUAL's five dimensions are not universals; the number of dimensions comprising SQ is contextualised; items do not always load on to the factors which one would a priori expect; and there is a high degree of intercorrelation between the five RATER dimensions.

B) Operational criticisms:

- Expectations: the term expectation is polysemic; consumers use standards other than expectations to evaluate SQ; and SERVQUAL fails to measure absolute SQ expectations.
- Item composition: four or five items not can capture the variability within each SQ dimension.
- Moments of truth (MOT): customers' assessments of SQ may vary from MOT to MOT.
- Polarity: the reversed polarity of items in the scale causes respondent error.

- Two administrations: two administrations of the instrument causes boredom and confusion.
- Variance extracted: the overall SERVQUAL score accounts for a disappointing proportion of item variances.

3.4. TQM LITERATURE

With the main purpose of measuring performance and driving organisational excellence several models have been proposed within the TQM literature. Despite some differences, all of them emphasise the basic view that Excellence, simply regarded as outstanding performance, comes from the simultaneous implementation of a set of quality-related principles and practices. In common, they also share the acknowledgement that an organisation must balance the needs of its several stakeholders (customers, suppliers, employees, government and the society as a whole).

In general, quality models have been established as award-based frameworks to promote quality awareness and encourage organisations to conduct self-assessment exercises, thus identifying areas for improvement and developing plans for further action. There are several well-recognised award models, the main ones being the Deming Application Prize in Japan, the MBNQA in the US and the EFQM in Europe.

The significance of these models is evident from indications that an increasing number of organisations from different parts of the world have been adopting them as vehicles for TQM implementation. Their benefits as self-assessment tools, based on a universal and comprehensive set of criteria, have also been highlighted. Above all, they drive

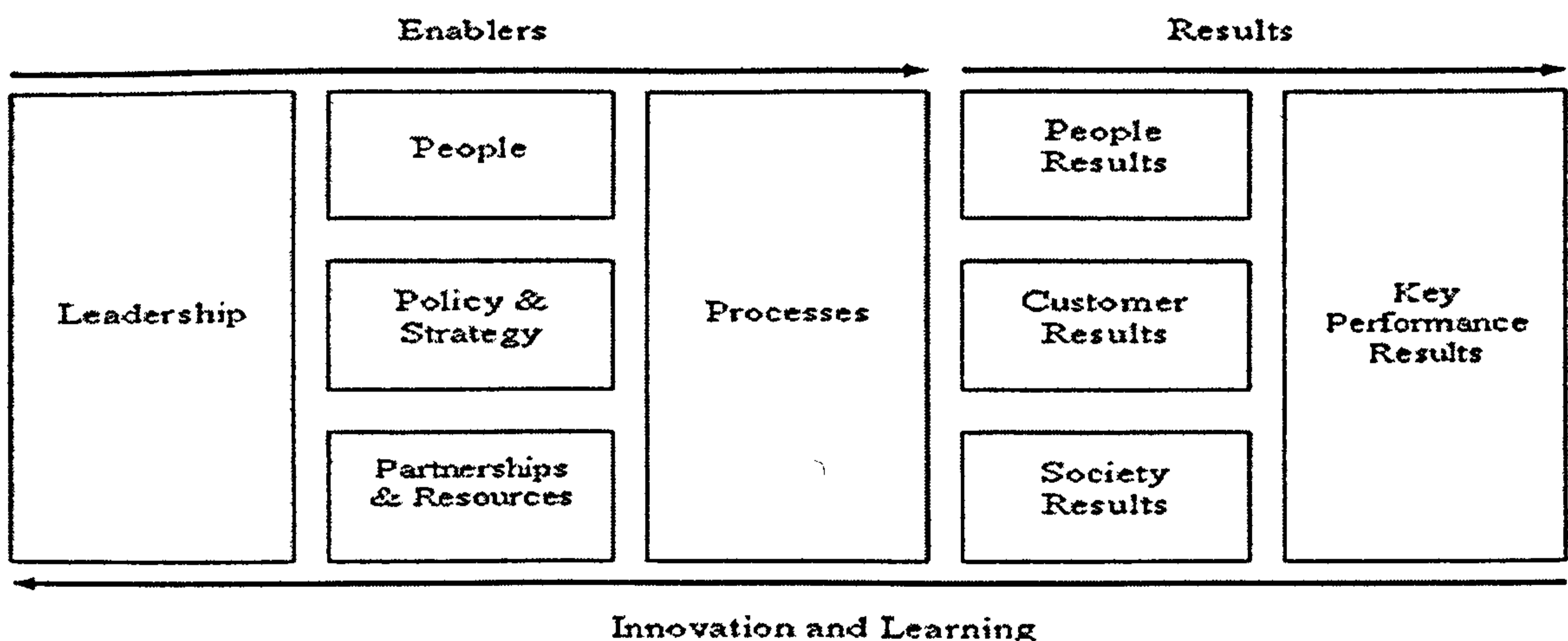
continuous improvement based on a common approach across the organisation and encourage a holistic view.

It is important to note at this point, that the researcher decided to apply the EFQM excellence model in this study, as a result of the model's publicity and suitability to the research environment. Further facts about this model are presented in the following section.

3.1.4 EFQM Excellence model

Figure 3-6 illustrates the EFQM Excellence Model, which is considered one of the TQM models described as: "a practical tool to help organisations establish an appropriate management system by measuring where they are on the path to Excellence, helping them to understand the gaps, and then stimulating solutions" (EFQM, 1999). Moreover, it has been described as "a non-prescriptive framework that recognises there are many approaches to achieving sustainable excellence" (EFQM, 2004).

Figure 3-6: The EFQM Excellence Model



Source: EFQM Publications

Nowadays thousands of organisations around the world are adapting the EFQM Excellence Model as an internal diagnostic tool, known as Self-Assessment. The process of Self-Assessment is comprehensive, systematic and performed periodically. Using Self-Assessment, an organisation can identify its own strengths and areas for improvement and compare its overall performance to widely accepted global levels of what constitutes “best practice.” Based on the above facts the researcher will use the EFQM model as an assessment tool in order to identify causes of gaps when applying the SERVQUAL model within the banking industry.

3.1.4.1 History of the EFQM

The excellence model was developed at the time when the European companies realised they had to focus more on quality in order to survive (Bohoris, 1995). In 1991 EFQM officially launched the European Quality Award. The award is based on the framework, which today is called the excellence model. The aim of EFQM is to enhance the position of Western European companies, by accelerating the acceptance of quality as a strategy for attaining competitive advantage and by stimulating and assisting in the development of quality improvement activities (Ghobadian and Woo, 1996).

The European Foundation for Quality Management (EFQM) was founded in 1988 by the Presidents of 14 major European companies, with the endorsement of the European Commission. The present membership is in excess of 600 organisations ranging from major multinationals and important national companies to research institutes in prominent European universities.

EFQM’s mission is to stimulate and assist organisations throughout Europe to participate in improvement activities leading ultimately to excellence in customer

satisfaction, employee satisfaction, impact on society and business results; and to support the managers of European organisations in accelerating the process of making Total Quality Management a decisive factor for achieving global competitive advantage.

Increasingly, organisations in Europe accept that Total Quality Management is a way of managing activities to gain efficiency, effectiveness and competitive advantage, thereby ensuring longer term success - meeting the needs of their customers, employees, financial and other stakeholders and the community at large. The implementation of Total Quality Management programmes can achieve significant benefits such as increased efficiency, reduced costs and greater satisfaction, all leading to better business results. The EFQM has a key role to play in enhancing the effectiveness and efficiency of European organisations by reinforcing the importance of quality in all aspects of their activities and stimulating and assisting the development of quality improvement.

3.1.4.2 The Fundamental Concepts of Excellence

The EFQM Model is a non-prescriptive framework that recognises there are many approaches to achieving sustainable excellence. Within this non-prescriptive approach there are some fundamental concepts which underpin the EFQM Model. These are expressed below. There is no significance intended in the order of the concepts. The list is not meant to be exhaustive and they will change as excellent organisations develop and improve.

Results Orientation Excellence is dependent upon balancing and satisfying the needs of all relevant stakeholders (this includes the people employed, customers, suppliers and society in general as well as those with financial interests in the organisation).

Customer Focus The customer is the final arbiter of product and SQ and customer loyalty, retention and market share gain are best optimised through a clear focus on the needs of current and potential customers.

Leadership & Constancy of Purpose The behaviour of an organisation's leaders creates a clarity and unity of purpose within the organisation and an environment in which the organisation and its people can excel.

Management by Processes & Facts Organisations perform more effectively when all inter-related activities are understood and systematically managed and decisions concerning current operations and planned improvements are made using reliable information that includes stakeholder perceptions.

People Development & Involvement The full potential of an organisation's people is best released through shared values and a culture of trust and empowerment, which encourages the involvement of everyone.

Continuous Learning, Innovation & Improvement Organisational performance is maximised when it is based on the management and sharing of knowledge within a culture of continuous learning, innovation and improvement.

Partnership Development An organisation works more effectively when it has mutually beneficial relationships, built on trust, sharing of knowledge and integration, with its partners.

Public Responsibility The long-term interest of the organisation and its people are best served by adopting an ethical approach and exceeding the expectations and regulations of the community at large.

3.1.4.3 Overview of the EFQM Excellence Model

The excellence model itself is based on the TQM principles, which are leadership, customer focus, continuous improvement, focus on facts, and everybody's participation (Dahlgaard et al., 1998). If one looks at the model, it is seen that there are some fundamental concepts. All in all the model is build on eight concepts: result orientation,

customer focus, leadership & constancy of purpose, management of processes & facts, people development & involvement, continuous learning, partnership development, and public responsibility (EFQM,1999). These eight concepts include all of the five TQM principles stated above. It is asserted by the EFQM that there is a causal relationship between enablers and results in the model. The proposed causality is that excellent results are achieved through leadership driving policy & strategy, people, partnership & resources and processes.

Use of the excellence model encourages an emphasis on prevention instead of inspection and testing (Tummala and Tang, 1996), which again is in accordance with TQM and advocated by gurus like Deming and practised by many leading companies. One last remark about the Excellence model concerns the use of the framework. First of all it is used as the basis for the European Quality award, but besides that it is helpful in understanding and identifying the key linkages and the cause and effect relationships that exist in the business. Finally, and perhaps the most important use is self-assessment. The Excellence model can be used as a diagnostic tool to identify the strengths and weaknesses of an organisation, which can be used to develop a business plan

3.1.4.4 The EFQM Model Nine-Criteria

Leadership: how leaders develop and facilitate the achievement of the mission and vision, develop values required for long term success and implement these via appropriate actions and behaviours, and are personally involved in ensuring that the organisation's management system is developed and implemented.

- 1a. Leaders develop the mission, vision and values and are role models of a culture of Excellence
- 1b. Leaders are personally involved in ensuring the organisation's management system is developed, implemented and continuously improved
- 1c. Leaders are involved with customers, partners and representatives of society
- 1d. Leaders motivate, support and recognise the organisation's people

Policy and Strategy: How the organisation implements its mission and vision via a clear stakeholder focused strategy, supported by relevant policies, plans, objectives, targets and processes.

- 2a. Policy and Strategy are based on the present and future needs and expectations of stakeholders
- 2b. Policy and Strategy are based on information from performance measurement, research, learning and creativity related activities
- 2c. Policy and Strategy are developed, reviewed and updated
- 2d. Policy and Strategy are deployed through a framework of key processes
- 2e. Policy and Strategy are communicated and implemented

People Management: how the organisation manages, develops and releases the knowledge and full potential of its people at an individual, team-based and organisation-wide level, and plans these activities in order to support its policy and strategy and the effective operation of its processes.

- 3a. People resources are planned, managed and improved
- 3b. People's knowledge and competencies are identified, developed and sustained
- 3c. People are involved and empowered
- 3d. People and the organisation have a dialogue
- 3e. People are rewarded, recognised and cared for

Partnerships and Resources: How the organisation plans and manages its external partnerships and internal resources in order to support its policy and strategy and the effective operation of its processes.

- 4a. External partnerships are managed
- 4b. Finances are managed
- 4c. Buildings, equipment and materials are managed
- 4d. Technology is managed
- 4e. Information and knowledge are managed

Processes: how the organisation designs, manages and improves its processes in order to support its policy and strategy and fully satisfy, and generate increasing value for, its customers and other stakeholders.

- 5a. Processes are systematically designed and managed
- 5b. Processes are improved, as needed, using innovation in order to fully satisfy and generate increasing value for customers and other stakeholders
- 5c. Products and Services are designed and developed based on customer needs and expectations
- 5d. Products and Services are produced, delivered and serviced
- 5e. Customer relationships are managed and enhanced

Customer Results: what the organisation is achieving in relation to its external customers.

- 6a. Perception Measures
- 6b. Performance Indicators

People Results: what the organisation is achieving in relation to its people.

- 7a. Perception Measures
- 7b. Performance Indicators

Society Results: what the organisation is achieving in relation to local, national and international society as appropriate.

- 8a. Perception Measures
- 8b. Performance Indicators

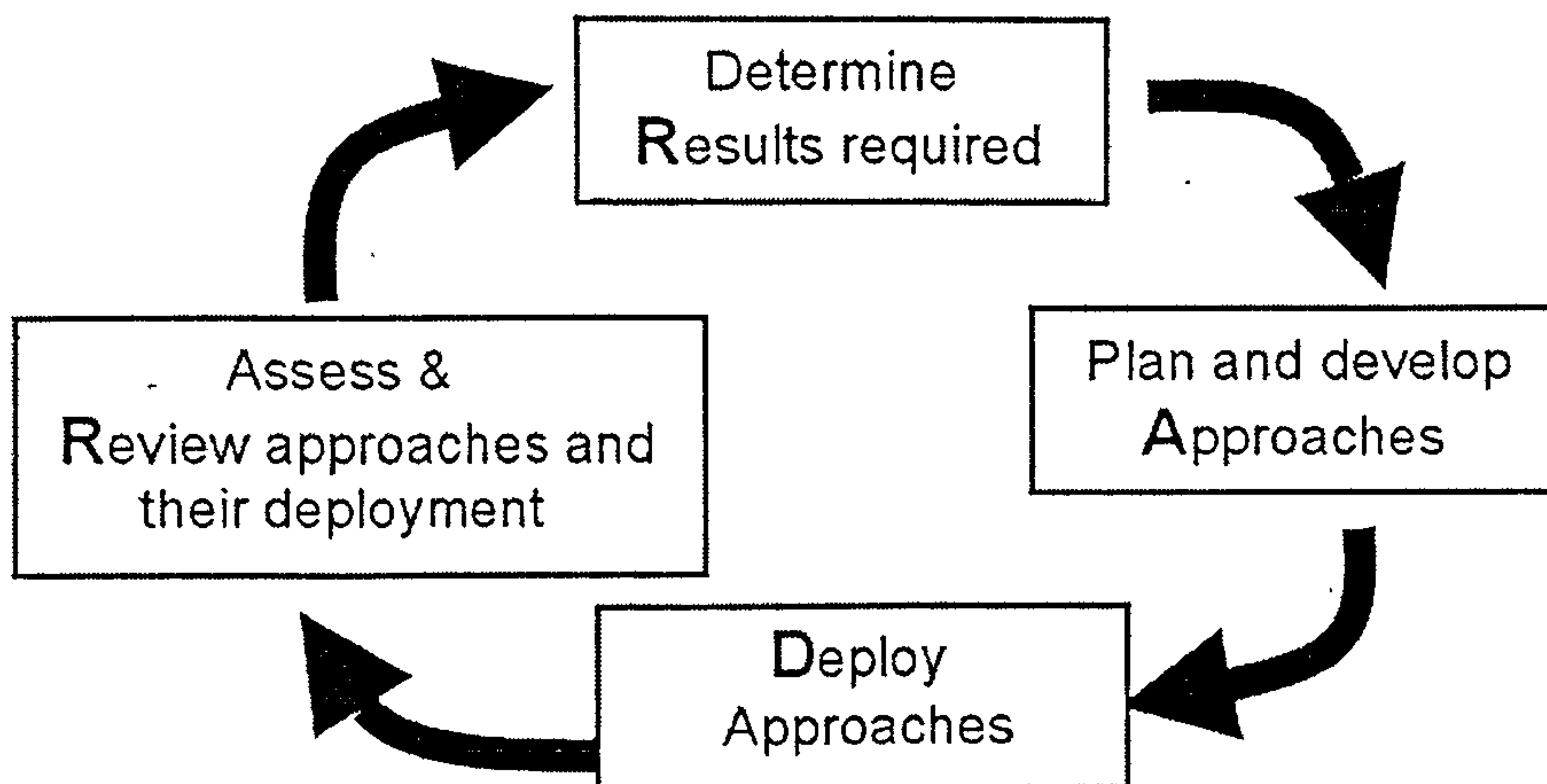
Key Performance Results: what the organisation is achieving in relation to its planned performance.

- 9a. Key Performance Outcomes
- 9b. Key Performance Indicators

3.1.4.5 The RADAR logic

At the heart of the model lies the logic known as RADAR, which consists of four elements: Results, Approach, Deployment, Assessment and Review. This logic states that an organisation needs to: 1) Determine the Results it is aiming for as part of its policy and strategy making process. These results cover the performance of the organisation, both financially and operationally, and the perceptions of its stakeholders. 2) Plan and develop an integrated set of sound Approaches to deliver the required results, both now and in the future. 3) Deploy the approaches in a systematic way to ensure full implementation. 4) Assess and Review the approaches followed based on monitoring and analysis of the results achieved and ongoing learning activities. Based on this identify, prioritise, plan and implement improvements where needed.

Figure 3-7: The RADAR Logic



Source: EFQM Publications

According to (EFQM, 1999) the EFQM Excellence model is based on continuous improvement. This cycle of continuous improvement is known as the "RADAR Concept". The following describes the specific elements of the RADAR concept that should be addressed.

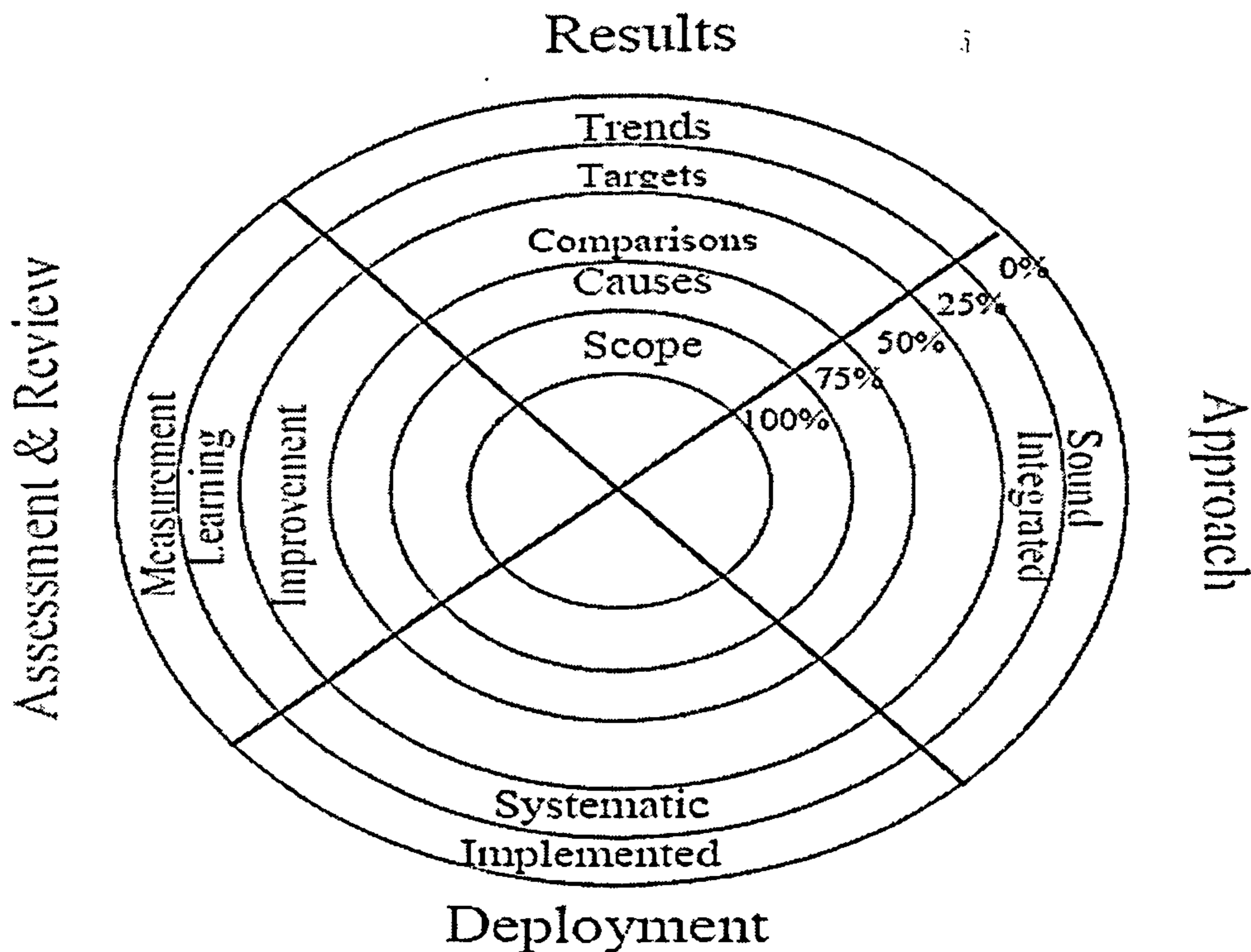
Results This covers what an organisation achieves. In an excellent organisation the results will show positive **trends** and/or sustained good performance, **targets** will be appropriate and met or exceeded, performance will **compare** well with others and will have been **caused** by the approaches. Additionally, the **scope** of the results will address the relevant areas. To assist users of the model in assessment and scoring, EFQM has created two support techniques. These are referred to as the Pathfinder card and the RADAR scoring matrix.

Approach This covers what an organisation plans to do and the reasons for it. In an excellent organisation the approach will be **sound** —having a clear rationale, well-defined and developed processes and a clear focus on stakeholder needs, and will be **integrated** —supporting policy and strategy and linked to other approaches where appropriate.

Deployment This covers what an organisation does to deploy the approach. In an excellent organisation the approach will be implemented in relevant areas, in a systematic way.

Assessment & Review This covers what an organisation does to assess and review both the approach and the deployment of the approach. In an excellent organisation the approach, and deployment of it, will be subject to regular measurement, learning activities will be undertaken, and the output from both will be used to identify, prioritise, plan and implement improvement.

Figure 3-8: RADAR Scoring Matrix



Source: EFQM Publications

3.1.4.6 Strengths of the EFQM Excellence Model

The holistic approach to achieve service excellence is one of the strengths of the business excellence model. The model tries to incorporate all aspects of the business. For example, all the company's stakeholders, not only shareholders (their interests

being represented by the financial result) and customers (represented by customer results), are included. In the model stakeholders such as employees and society are also represented, thereby adding to a more holistic picture of the business.

A further strength of the model is its relation to financial results. As mentioned above, the model indirectly includes shareholders' interests, but more importantly it helps the intuitive understanding of what is needed to improve the financial result. By directly improving people's satisfaction, customer satisfaction and impact on society through the enablers, organisations in the end improve the financial results. In addition, the whole model has a causal structure, meaning that the causal relationship between the criteria helps comprehend the model. The causal relationships seem sound and logical. The causal structure starts with leadership, which is responsible for the development of the structures and infrastructures necessary to achieve the wanted results (people and customer satisfaction, impact on society and, in the end, financial results).

3.1.4.7 Weaknesses of the EFQM Excellence Model

The EFQM excellence model has received criticism; although at the moment there is not much literature of this kind, compared to literature praising the model. One criticism concerns the assigned weights in the model. The problem raised here is that these weights may very well vary across industries. The market situation is not the same in every industry and thereby the strategic focus would be different, leading to different weighting of the model's criteria (Eskildsen et al. 2001).

From the same study another conclusion was that the companies could not focus within the enabler block. This was explained by the complexity. The criteria are related together in a complex structure, which made it difficult for companies to separate them.

This complex structure of the EFQM model is another criticism. One of the requirements for a model to be a holistic management tool is the demand for a simple structure (Eskildsen et. al., 2001). Evidence from the earlier mentioned study and the fact that the model has nine criteria, 33 sub-criteria and a number of relationships, shows that the EFQM excellence model is complex. This complexity demands more effort from companies to fully understand the model.

A third criticism is the lack of evidence supporting the causal structure. Intuitively the causal structure seems sound and logical, but not much research has been done in this area. Both the MBNQA and the EFQM implicitly assume there are causality links between TQM elements and results (Black and Porter, 1996; Ghobadian and Woo, 1996). For instance, in the EFQM, the enablers represent the TQM practices that are expected to lead to outstanding results in terms of customer satisfaction, profitability, low employees turnover, etc. However, the real impact of changes in the enablers on the results is often difficult to establish, due to the complex interdependencies between the criteria and the lack of clarity of some model relationships. In fact, a study among more than 750 Danish chief executive officers revealed that the causal structure seems to exist (Eskildsen et al., 2000). More research in other countries on this issue is desirable, to support the Danish study.

Meeting or assessing all the criteria, whether for award application or self-assessment, is expensive. The time and financial investment is large and is one of the drawbacks of the EFQM excellence model. As an example, although with the MBNQA, a company devoted over 14000 man-hours when it prepared for its application (Ghobadian and Woo, 1996). The expensive investment in using the EFQM excellence model has a

negative impact on the use of the model for small and medium size enterprises (SME) they do not use it. This is yet another criticism of the EFQM excellence model.

The EFQM model like other major excellence model frameworks emphasises the importance of management process, customer satisfaction, people and total quality to the attainment of superior competitive position (Ghobadian and Woo, 1996; Nabitz et al., 1999; Tan, 2002). The major business excellence awards, e.g. ISO9000, Deming Application Prize, the European Quality Association (EQA) and the MBNQA, are based on a perceived model of business excellence (TQM). They do not focus solely on either product or service perfection or traditional quality control methods, but consider a wide range of management activities, behaviour and processes, which influence the quality and excellence of the final results. The models underpinning the frameworks implicitly recognise that the excellence of the final results is the outcome of a complex of integrated processes and employees' efforts.

Business excellence models, including the EFQM model, have a mixed record regarding validity and reliability. McAdam and Welsh (2000) claim that, although the EFQM Model has been well accepted by managers, there has been little rigorous empirical research aimed at the model

3.5 AN EMERGENT RESEARCH OPPORTUNITY

SQ in the retail banking environment has been the focus of many studies. The literature review in this area, as illustrated earlier in this chapter, revealed that Excellence in service provision, and partially in the context of banks, is generally based on:

- measurement of outcomes,

- extensive use of SERVQUAL, and
- no linkages between internal processes.

Based on the review of the literature, and the limitation of the models used in this respect (EFQM and SERVQUAL), this research offers the opportunity to test and verify various hypotheses, and also to further explore and investigate a larger approach of CEFs. This step is supported by Flynn et al., (1994), Douglas and Judge (2001), and Kaynak (2003), who believe that a broad or global approach in a firm's management of quality leads to better results. Furthermore, it will measure the impact created by driving Service Excellence in banking on customers. A further explanation is provided in the following section.

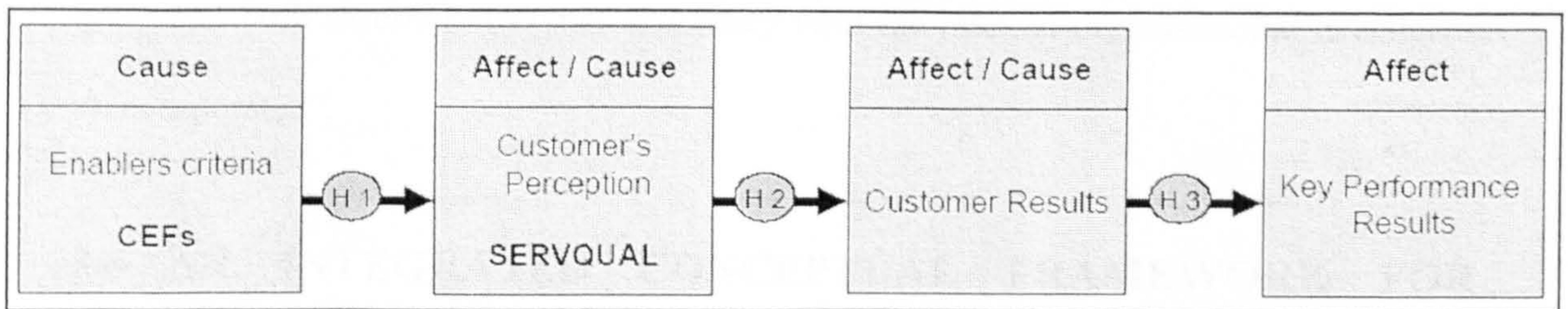
3.1.5 Research Structure

The following broad hypotheses derived from the review of the literature form the basis of the current investigation:

H1: An organisation that drives excellence internally (i.e. Enabler criteria) impacts positively on customers' perception externally (i.e. on the SERVQUAL gap).

H2: Customers' perception (i.e. SERVQUAL score) is positively correlated with the assessment score of the "Customer's result" criterion within the EFQM model.

H3: Organisations that attract positive customer perceptions externally will have healthier financial results. In other words, there is a positive relationship between the SERVQUAL gap size and the "Key performance result" criterion through the Customer result criterion. Figure 3-9 illustrates this research hypotheses.

Figure 3-9: The Research Hypotheses

As addressed earlier, Ghobadian and Woo (1996) emphasised that “the EFQM Excellence model has a significant limitation since it implicitly assumes that there are causality links between the enablers and results criteria”. Yet, the real impact of changes in the enablers over results is often difficult to establish. However, assessing a sample of banks using the EFQM model, besides assessing their customers’ perception using the SERVQUAL is considered to be a way of verifying the EFQM causality assumption empirically.

On the other hand, the SERVQUAL model has a logical drawback, which is the model’s limited ability to identify the causes of SQ caps, as a result of its being developed within a literature that mainly focuses (externally) on customers, rather than (internally) on operations.

In addition, to some extent the SERVQUAL ignores the issue of “Continuous improvement”, which is considered to be one of the most significant issues developed within the TQM literature (Crosby, 1979; Porter and Parker, 1993; Dean and Bowen, 1994; Samson and Terziovski, 1999; Zairi, 2005) It is a strategy that allows the firm to adjust all its elements to satisfy customer expectations. Consequently, this empirical study will allow a better fishbone analysis regarding the causes of gaps than the one provided by the SERVQUAL model (i.e. the one in Figure 3-4). Interestingly, Gronroos

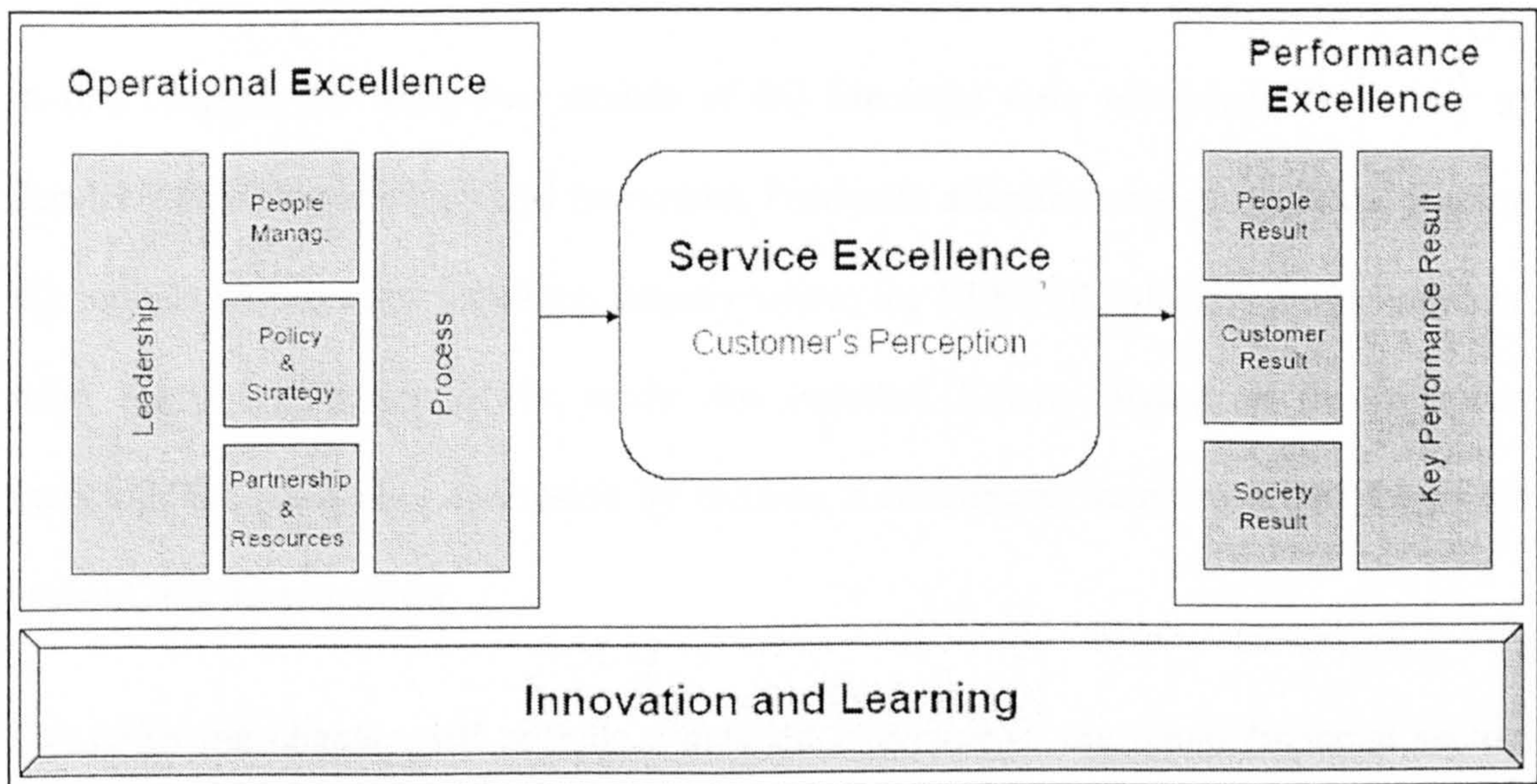
(1990) indirectly supports the theme of this study by pointing out that “It is vital that SQ integrates both external customer efficiency with the internal organisational excellence is incorporated”.

3.6 AN INTEGRATED CONCEPTUAL FRAMEWORK FOR EXCELLENCE IN BANKING

Developing a conceptual framework will help the researcher to postulate and test certain relationships so as to improve the understanding of the dynamics of the situation (Sekaran, 2003). The framework is used in this study to help the researcher to achieve three purposes. The first purpose is to examine whether the EFQM enablers criteria have an influence on customers’ perceptions. Second, to investigate whether customers’ perceptions have an impact on the financial result through the Customer results criterion. Finally, the proposed framework will facilitate the task of investigating the relationships between Banks’ CEFs and performance results.

Measurement of the variables in the conceptual framework is an integral part of research and an important aspect of quantitative design (Bordens and Abbott, 2002; Sekaran, 2003; Cavana et al., 2001). The conceptual framework is illustrated in Figure 3-10. It has four major components: First, the “Operational Excellence” factors, which are considered independent variables. Basically, these represent the EFQM enablers criteria. Second, comes “Service Excellence”, which reflects the importance of customers’ perceptions. Third, “Performance Excellence”, which reflects the importance of balancing the management of outcomes among all stakeholders. Finally, “Innovation and Learning” is the element of excellence that influences all three previously mentioned categories.

Figure 3-10: The Conceptual Framework



An independent variable is one “that influences the dependent variable in either a positive or a negative way” (Cavana et al., 2001, p. 84; Sekaran, 2003). In this study the five Enabler criteria of the EFQM model, which are classified under Operational Excellence factors, were considered the first and major independent variables in this study. In contrast, dependent variables are the variables of primary interest to the researcher, such as SE within the second hypothesis and the Performance Excellence in the third hypothesis. Furthermore, since this study aims to explain or predict the variability in the banks’ performance, banks’ results were the main variable that lends itself as a viable issue for investigation.

Through the analysis of the results, it is possible to find answers to the problem (Cavana et al., 2001); the four areas of banks’ outcomes of EFQM are also considered as dependent variables. They are Customer results, People results, Society results, and Key performance result.

3.7 SUMMARY

In this chapter, the main two strands of SQ literature were reviewed. These are: a) Service Marketing and b) TQM literatures. Particular attention was given to the leading SQ models within each literature, namely where the SERVQUAL and EFQM models. After that the direction of the study was justified. Finally, based on the reviewed literature; the researcher concluded by forming a conceptual framework that forms the basis of this investigation.

The following chapter will provide a detailed overview of the Saudi financial sector; particularly the Saudi banking industry, where this study was conducted.

CHAPTER FOUR:

AN OVERVIEW OF THE SAUDI BANKING INDUSTRY

4.1 INTRODUCTION

This chapter examines the banking sector in Saudi Arabia in which the empirical work was carried out. The chapter starts by highlighting the general aspects of the Saudi economy as an important aspect and the cornerstone to understanding the different phases that shaped the banking industry in the country. Second, the development of the financial system in Saudi Arabia, the historical background, and the role of the banking sector regulator The Saudi Arabia Monetary Agency (SAMA) are investigated. Third, the development of the banking sector since the launch of the first bank in the country is outlined, and some of the obstacles that were faced by Saudi banks during their lifetime are highlighted. This, examination of the background and the development of the banking sector throughout its stages is necessary to understand the different factors that shape the current composition and organisation of the industry. Meanwhile, the banks that are currently operating in Saudi Arabia are introduced. Finally, this chapter concludes by examining the recent trends that influence all of these banks.

4.2 THE SAUDI ECONOMY

The Kingdom of Saudi Arabia is an oil-based economy with the largest proven oil reserves in the world (261.7 billion barrels, 25.5% of the world's total). It ranks as the largest producer as well as exporter of petroleum in the world and plays a leading role in Organization of the Petroleum Exporting Countries (OPEC), producing 31.62% of total OPEC oil production (Ameinfo, 2005). With current oil production at 9.47 million barrels per day (April-2005) and export at about 7.75 million barrels per day, oil export

represents 90% of total export earnings. The oil and gas sector accounts for roughly 75% of government's revenues and 45% of its GDP. The estimated year-to-date (January - April 2005) average oil price for the OPEC basket stood at US\$ 45.38 per barrel in April 2005, mainly attributed to strong demand by China & the USA. The Saudi government is continuing its economic reform programme and currently its focus is to attract domestic and foreign private sector investment into the gas, power, telecommunications and real-estate sectors.

The year 2005 was the best year in the history of Saudi economy in terms of economic performance since 1982. After achieving a robust growth in 2003 and 2004, Saudi Arabia is expected to achieve another prosperous year in 2006, attributed to: strength of the oil sector; better domestic geo-political environment; acceleration of reform measures; growth of foreign assets of SAMA; a strong private sector growth; a high growth of corporate earnings during Q1-2006 and expected strong corporate earnings in Q2-2006. However, Saudi Arabia remains vulnerable to oil price movements, contributing to a volatile pattern of economic activity. An extraordinary strong upturn in oil prices and production in 2005, which is still continuing, has resulted in a robust growth for the Saudi economy as the nominal GDP grew by 16.8% in 2004 to US\$ 250.56 billion compared to US\$ 214.57 billion in 2003. The nominal GDP is expected to grow further by 13.7% to US\$ 284.8 billion in 2006, attributed to all time high levels of oil prices and oil production. The real GDP grew by 7.66%, 5.23% and 8% in 2003 and 2004 respectively, and is expected to grow by 5% in 2006.

4.3 THE REVOLUTION OF THE SAUDI FINANCIAL SYSTEM

In its earlier stages, the Saudi Arabian financial system, as for many countries in the region, was just as backward as the non-petroleum side of the economy (Seznec, 1987). The financial system that currently exists in Saudi Arabia is one which has evolved from the interplay of several economic and cultural forces. Gale (1995) explains that the economic forces include the flow of revenues to the country as a result of sales of oil resources and the allocation of these revenues to financial and real assets. The cultural forces stem from the locations of Mecca and Medina in Saudi Arabia, which are centres of the Islamic religion (Gale, 1995; Seznec, 1987).

Seznec (1987) argues that in Saudi Arabia there are basically two types of financial institutions: the banks and the money exchangers. The money exchangers were, and to a lesser degree still are, important financial intermediaries. In Saudi Arabia, the money exchangers provide foreign exchange services to travellers bringing all manner of currency, convertible and non-convertible. The money exchangers are important in Saudi Arabia since the kingdom has the most holy places in the world for Muslims. Money exchangers provide a vital service during Hajj and Umrah, when Muslim pilgrims head towards Mecca and Medina (the two holy cities) to perform religious duties. Pilgrims around the world who bring their foreign currency have to pay their daily expenses in the Saudi currency, the Riyal. Hajj pilgrims usually stay from one to two months, and therefore they bring large amounts of cash that need to be converted into local currency by money exchangers (Seznec, 1987). Gale (1995) shows that, in that period, when the exchangers play a major part in the financial services, the western part of Saudi Arabia preferred gold – especially coins used by Turks, Egyptians and the British, while the eastern part of the country preferred coins from India and Austria.

These currencies were basically full bodied coins, which were gold or silver based. However, after World War II, a problem arose: the practice of the full bodied money system in many countries that had been issuing metal coins was stopped. Consequently, the source of monetary growth in Saudi Arabia was severely shortened and there was no government agency with the power to issue money assets. As a result, the Saudi Arabian Monetary Agency (SAMA) was created in 1952 as the authority to issue full bodied coins and a national currency to the country. The next section investigates the Saudi Arabian Monetary Agency (SAMA) as a regulator of financial services in the country and as a main player in the development of the financial and banking system.

4.4 THE SAUDI ARABIAN MONETARY AGENCY (SAMA)

“The philosophy of the central bank gradually emerged in response to the recurrent British financial crises of the nineteenth century and the technique developed by the Bank of England in an effort to overcome these crises” (Al-Dukheil 1995). Traditionally, the central bank was the banker for the government. With the gradual addition of other responsibilities, it has now become the cornerstone of the financial sector in most countries. It is also an important structure in encouraging financial development in many developing countries. Al-Dukheil (1995) argues that major functions of the central bank in most countries include acting as a banker and specialist advisor to the government, issuing and controlling currency, maintaining the purchasing power of currency, holding a country’s foreign exchange reserves, and maintaining exchange control regulations. In addition, Al-Dukheil (1995) maintains that a central bank concerns itself with the maintenance of a sound commercial banking structure. Thus, nowadays, one of the most major roles of a central bank in many countries is to regulate and maintain systematic commercial banks within the country. The nature of

economic development and the dominance of Islamic principles in matters of money in Saudi Arabia have required some differentiation in the role of the central bank (Presley and Wilson, 1991). In Saudi Arabia, SAMA (the central bank) plays a major role in developing, regulating and maintaining a strong financial and banking system in the country. SAMA has the legal framework to supervise and control the financial market and commercial banks in the country. The following subsections examine the origin, role and development of the Saudi Arabian Monetary Agency as the central bank of the country.

4.5 THE SAUDI BANKING INDUSTRY

The banking system in Saudi Arabia is one of the most important sectors in the Saudi economy. In January 2006, the banking industry represented about 30 percent of market capitalisation of the listed companies in the kingdom. The following sections describe the banking industry in Saudi Arabia.

4.1.1 Historical Background

Banks in Saudi Arabia have a long history, since the country has the most important cities of the Islamic world. Mecca and Medina are the holy cities to which many pilgrims travel during their lives. Thus, in Saudi Arabia, banks operated in the country long ago, even before the unifying of the kingdom by King Abdulaziz in 1932 and the existence of the Saudi Arabian Monetary Agency in 1952. Ali (1991) categorises the history of the banking sector in Saudi Arabia into two phases: before the establishment of SAMA, and after the establishment of SAMA. The next two subsections summarise the operation and development of these two phases.

4.1.1.1 Banks operating in Saudi Arabia before the establishment of SAMA

Prior to the establishment of SAMA in 1952, there were some money exchangers and banks that provided financial services to the public and visitors to the country. Understanding these banks and their links to the currently operating banks is critical to understanding the banking sector in the kingdom. A brief description of these banks follows:

1. The commercial firm of Holland: the firm started business in Saudi Arabia in 1926. However, its name changed to the General Bank of Holland (the oldest commercial bank in the kingdom). It continued to operate until the Saudiisation of foreign banks in the late 1970s (more details on the Saudiisation of commercial banks is provided in a later section of this chapter). In 1976 the name of the bank was changed to the Saudi Hollandi Bank.

2. Banque de l'Indochine: started business in Saudi Arabia in 1947. Banque de l'Indochine continued working in the country with that name until the Saudiization of its business in 1977 when its name changed to the Saudi French bank (Banque Saudi Fransi).

3. The Arab Limited Bank: started business in 1949 with a branch in Jeddah. Like all the foreign banks operating in the kingdom at that time, the bank was Saudiized in 1979. Its name was since changed to the Arab National Bank.

4. The British Bank of the Middle East: This bank also started business with a branch in Jeddah in 1950. The British Bank of the Middle East continued operating in Saudi Arabia until it converted to a Saudi PLC firm in 1978 as the Saudi British Bank.

4.1.1.2 Banks operating in Saudi Arabia since the establishment of SAMA

The second phase is the local banks that were established in the kingdom or any foreign banks that opened branches in the country after the establishment of SAMA in 1952.

These banks are as follows:

1. The National Commercial Bank (NCB): NCB was established by two families, namely, the Kaki and Bin Mahfouz families, as a private PLC firm in 1948. This firm's name was changed to the National Commercial Bank in 1953. Thus, the National Commercial Bank was the first commercial bank to be established in Saudi Arabia.
2. Cairo Bank: the Cairo Bank started its business in Jeddah in 1954 and converted to the Saudi Cairo Bank in 1979. However, at some stage the bank stopped doing business in the kingdom due to management problems, which will be discussed in upcoming sections. In 1997, the Saudi Cairo Bank merged with the United Saudi Commercial Bank to form the United Saudi Bank.
3. Banque Deu Liban et d'Outre: started its business in Saudi Arabia in 1950 and continued operations until it merged its businesses with the United Commercial Bank (a newly-established bank) in 1983.
4. First National Citibank: the First National Citibank started its businesses in Jeddah in December 1955. It continued to operate under that until it converted to a Saudi PLC firm in 1980 and was named the Saudi American Bank.
5. The National (Alwatani) Bank: this bank was established as a Saudi PLC company in 1958 and merged with the Riyadh Bank in 1960 after suffering from various problems (more details of these problems are explained in upcoming sections).

6. Riyadh Bank: the Riyadh Bank was established as a Saudi PLC company in 1956. However, in 1959 the Riyadh Bank suffered from some problems in which the board's members of this bank borrowed heavily from the bank and defaulted on repayment (more details provided in the next section).

7. Bank Melli Iran: this bank was established in 1970 and subsequently merged with the newly-established United Commercial Bank in 1982.

8. United Bank Limited: this bank established a branch in Dammam (East province) in 1971, and continued its business until it merged in 1982 with the newly-established bank (United Commercial Bank).

9. The United Saudi Commercial Bank: this was established in October 1983 by taking over a nucleus of three banks – Bank Melli Iran, Banque Deu Liban et d'Outre, and the United Bank Limited – together in a partnership with the Saudi International Bank in London (Al-Dukheil, 1995; Ali, 1991). Thus, 40 percent of the bank shares were initially held by foreign shareholders, which were reduced to 30 percent in 1986 when the Banque Deu Liban et d'Outre disposed of its shareholding to the Saudi founder shareholders. In 1997, the bank merged with the Saudi Cairo Bank and its name changed to the United Saudi Bank. In July, 1999, this bank merged with the Saudi American Bank, constituting the largest corporate merger in the kingdom's history, with a combined capitalisation of about \$5.6 billion. The merged institution is called the Saudi American Bank.

10. The Saudi Investment Banking Corporation: established as a Saudi PLC firm in 1976. The corporation's name was changed to the Saudi Investment Bank in 1984 (more details on this are provided in section 4.7).

11. Al-Rajhi Banking and Investment Corporation: the bank was incorporated in March 1988 when the corporation's name changed from Al-Rajhi Co for Currency Exchange and Commerce (more details of this bank are given in section 4.7).

However, apart from these banks, during this stage, according to Ali (1991) there were two firms in the kingdom that acted as banks and worked for some time and then disappeared. One was Glati Hanki, which started business in the country in 1884 providing some banking services; it wrote to SAMA in 1955 stating that it wanted to close down its business and transfer its customers' accounts to the British Bank of the Middle East. The second firm was Ibrahim Zuhran, which started with a single branch in Jeddah in 1947 and was closed down due to the death of its founder. Thus, the history of the banking industry in Saudi Arabia has faced some dramatic developments throughout various phases. Consequently, due to the enormous expansion and development of the local economy and the financial services in Saudi Arabia, some obstacles were encountered by Saudi banks during different periods. The following section highlights some of these difficulties and how the regulators of the banking industry dealt with them.

4.6 SAUDIIZATION OF FOREIGN BANKS

The bad-loan problems encountered by some of the Saudi banks in the 1960s forced the regulator of the banking sector in the kingdom (SAMA) to pay more attention to regulating the industry. As a result, a new Banking Control Law was passed in 1966. However, in the 1970s, SAMA also moved a step forward by introducing the Saudiisation of the foreign banks' branch operations in the country.

The dramatic development of the banking industry in Saudi Arabia was one aspect of the development of the Saudi economy as a whole in the 1970s, as the oil prices rose at that time. In 1966, SAMA had undertaken some initiatives by introducing the Banking Control Law to regulate the sector. Prior to 1975, the government of Saudi Arabia had encouraged foreign-owned banks to open branches within the kingdom. As a result, 10 international banks were represented in the country through 23 branches by the end of 1975 (Al-Dukheil, 1995).

By the end of the 1970s, SAMA implemented the strategy of Saudiisation of the branches of foreign banks operating in Saudi Arabia. Wilson (2004:60) explains that, after the oil price rise in the mid-1970s and the increase of the volume of funds in the Saudi financial system, pressure came from foreign banks to extend their branches and business in the kingdom, although the Saudi “government was reluctant to permit the expansion of foreign banks, one reason being concern about criticism from religious leaders on the issue of interest based institutions having an ever more visible presence in the heartland of Islam”. Therefore, according to Wilson (2004), the government solution in 1976 was to pass the Saudiisation Act, whereby the foreign banks had to incorporate within the country and sell 60 percent of their shares to the local people. Conversely, Banafe (1993) argues that the rationale behind the move (Saudiization) appeared to be one of public participation in bank shareholding and its operation. SAMA used partial nationalisation and transfer of technology through technical services agreements, which were the appropriate method of creating an efficient banking system under Saudi control. SAMA required all foreign-owned banks wishing to continue to operate in Saudi Arabia to incorporate locally and to reduce ownership to no more than 40 percent by taking a Saudi partner or individual for the remainder. The general mechanism was

that the new company allocated 40 percent of its equity to the foreign bank as compensation for its existing operations, which the firm was taking over, and then raised the remaining 60 percent through a frequently over-subscribed public issue of shares. The foreign banks also took management contracts in their new affiliates (Ali 1991, Tschoegl 2002). However, Tschoegl (2002) shows that Saudi Arabia was not the only country that saw fit to regulate the ownership and management of banks located within its borders. "Within the Arab world, Morocco in 1973 instituted a requirement that 50 percent of all banks' management had to be local. Kuwait, North Yemen, Tunisia, Mauritania and Jordan imposed similar regulations. In sum, during the national era, many countries that had been open to foreign banks in 1926 closed, and no country that been closed opened" (Tschoegl 2002:131). Foreign banks were given incentives for Saudiization, which included raising capital, expanding their branch networks, qualifying for government businesses (accounts) and five-year tax holidays (Banafe 1993). As a result, the total number of bank branches rose from 79 in 1974 to 140 in 1979. At that time there were about 12 commercial banks operating in the kingdom. Three of those banks were local, namely, the National Commercial Bank, the Riyadh Bank and the Al-Rajhi Banking and Investment Corporation. The remaining nine were joint-venture banks, although the foreign ownership in these banks had decreased to less than 40 percent in most.

The Saudiization policy introduced by SAMA also provided the joint-venture banks with what is called the technical assistance agreement (management contract), in which the foreign party takes full responsibility for managing the bank. The next subsection summarises the main features of the technical assistance agreement implemented by SAMA.

The technical assistance agreement: The technical assistance agreement (management contract) is a scheme established by SAMA that authorises foreign partners of the joint venture banks to manage these banks. The rationale for such a plan is the massive development of the banking sector, accompanied by the lack of professional and qualified local people in the kingdom. The usual duration of these contracts is five years, which can be renewed at the end of each period. The agreement gives the foreign partner the power to appoint and re-appoint the CEO/managing director and some of the senior staff of these banks. The CEO/managing director is accorded the power to manage the bank according to the guidelines, policies and regulations set by the board of directors or the executive committee (SAMA, 1994). Another reason for adopting such a scheme is the will of SAMA to transfer technology from developed countries to the kingdom. Thus, the technical assistance agreement gives the management of these banks the ability to adopt the most advanced technological systems existing in developed countries.

In recent years, after about 25 years of implementing such a plan, the question of the current necessity of such agreements has been raised. Many people argue that the local qualified people are now capable of running and managing these banks in a professional manner. In November 2003, the Saudi American Bank had to end the technical assistance agreement between the bank and its foreign partner (Citibank) after more than 30 years. The next section examines the banks currently operating in Saudi Arabia and explores the main characteristic of their volume, ownership and partner.

4.7 BANKS CURRENTLY OPERATING IN SAUDI ARABIA

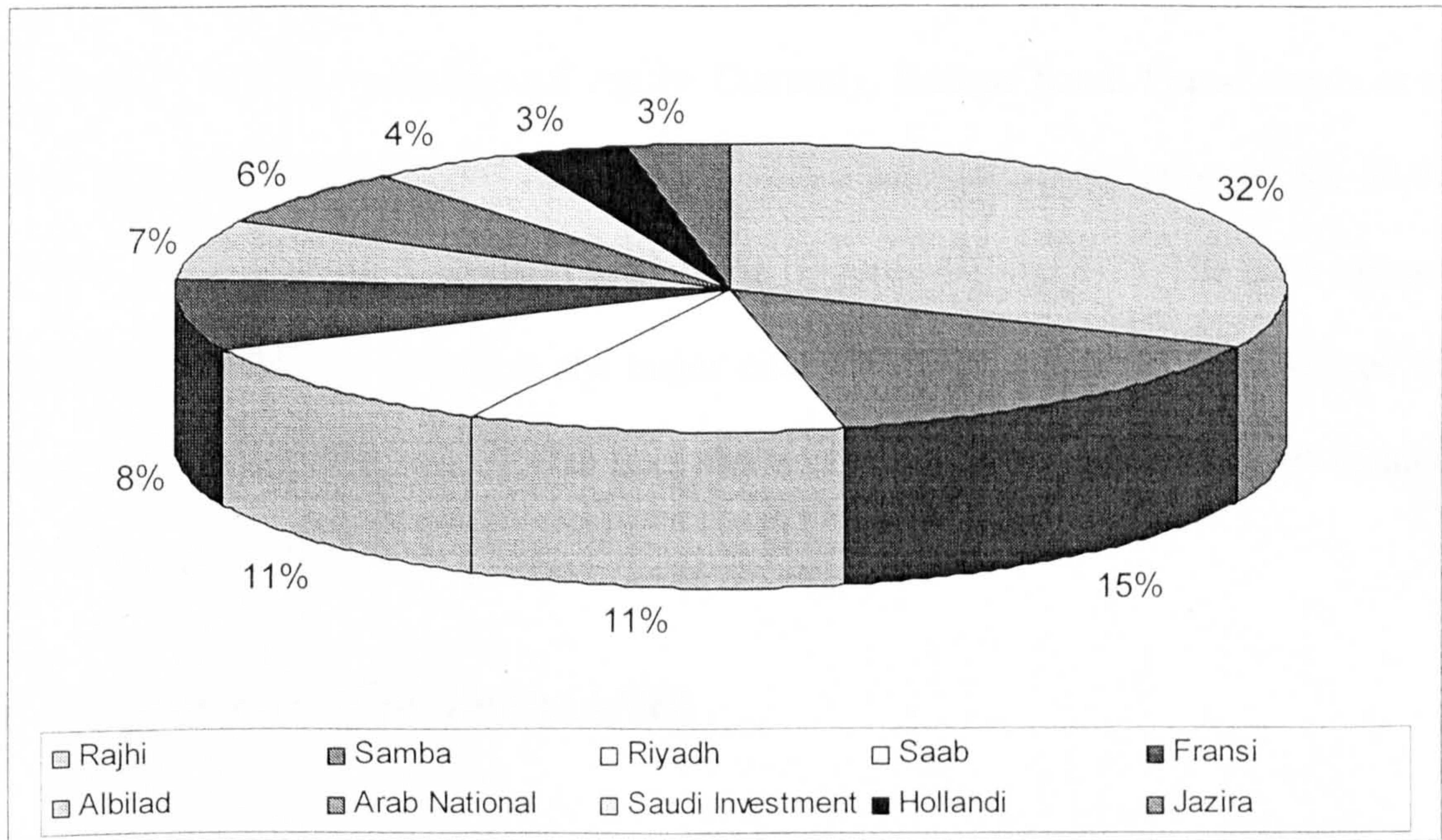
Prior to 1997, there were 12 banks operating in Saudi Arabia. In 1997, the Saudi Cairo Bank merged with the United Saudi Commercial Bank and the name changed to the United Saudi Bank. In July, 1999, the United Saudi Bank merged with the Saudi American Bank, constituting the largest corporate merger in the kingdom's history, with a combined capitalisation of about \$5.6 billion. Currently, there are 10 banks operating in the kingdom representing the largest sector and being responsible for about 30 percent of the Saudi stock market in terms of market capitalisation. The next section analyses current banks operating in the Saudi market.

4.1.2 Saudi Hollandi Bank (SHB)

The bank began its operation in Saudi Arabia in 1926 as the oldest bank in the kingdom with a branch in Jeddah under the name of the Netherland Trading Society. The branch served the foreign exchange needs of pilgrims from the Dutch East Indies (now Indonesia) (Tschoegl 2002). For some time, as the only operating bank in the kingdom, Saudi Hollandi Bank served as the kingdom's central bank, maintaining the gold stock of the country, and processing the first oil-related transactions (SHB 2004). In 1964 the Netherlands Trading Society became the Algemene Bank Nederland (ABN). After implementing the Saudiization policy in the foreign banks, in 1976, ABN established the Saudi Hollandi Bank to take over its branches in the kingdom. The new bank was formed as a joint venture firm with 40 percent of the shares with ABN AMRO and 60 percent of the shares in local Saudi hands. The bank now ranks ninth among ten publicly traded banks operating in the country in terms of market capitalisation (Figure 4-1). The bank has 39 branch offices in the kingdom and employs more than 1,000

employees, and a network of 133 in-branch and stand-alone Automated Teller Machines (ATMs) (SHB, 2004). Saudi shareholders still own 60 percent of the bank's shares and ABN AMRO owns 40 percent.

Figure 4-1: Saudi Banks by Market Cap. As of 1/1/06



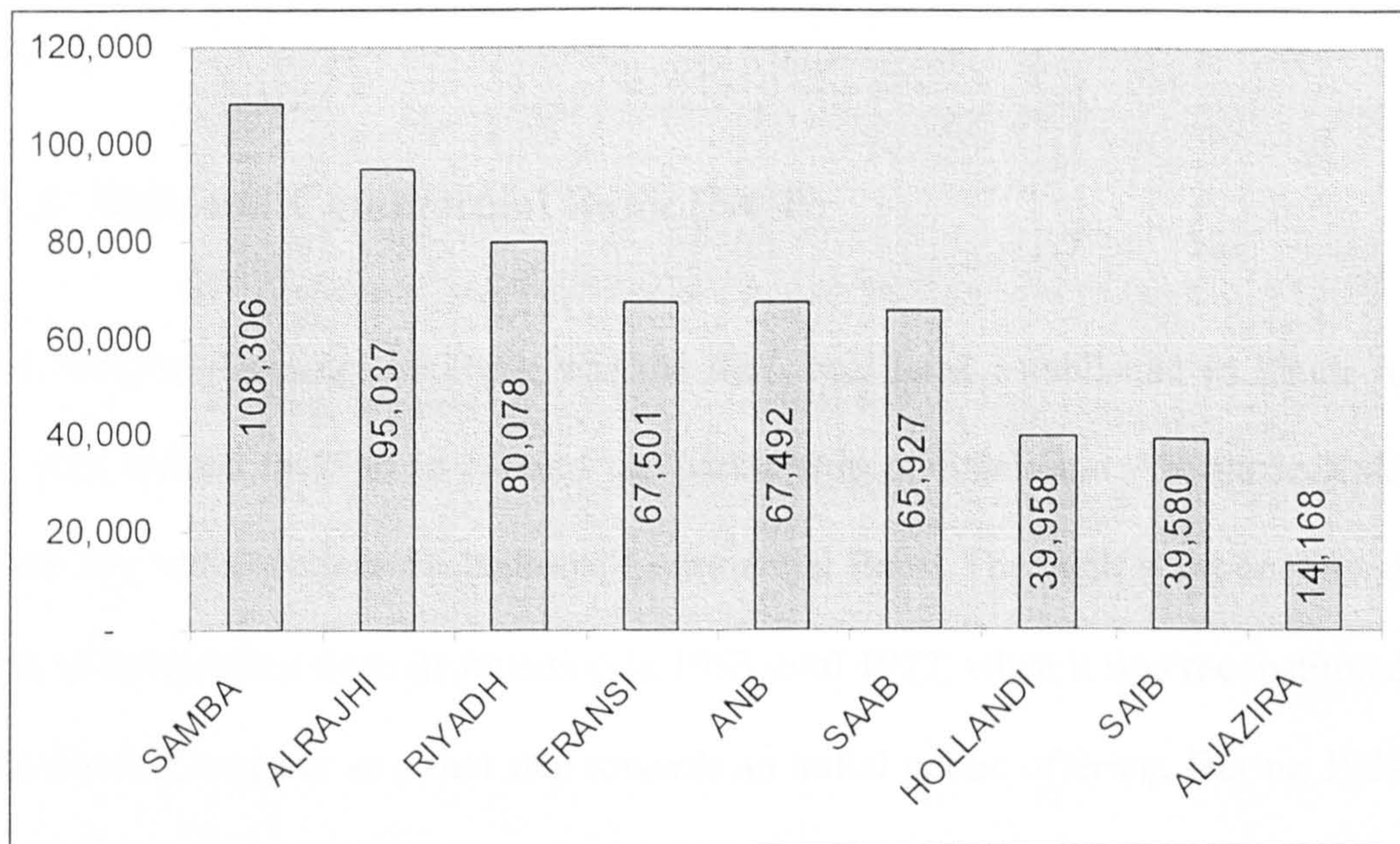
4.1.3 Banque Saudi Fransi

The bank started operating in the kingdom in 1948 as Banque de l'Indochine, which opened a branch in Jeddah. It was the second foreign bank to be established in Saudi Arabia, after the Netherlands Trading Society. Tschoegl (2002) argues that the Banque de l'Indochine sought to benefit from its knowledge of gold trading and from serving pilgrims from North and West Africa. In 1950, the government of Saudi Arabia commissioned the bank to produce the first Saudi gold coins on its behalf. The bank also developed innovative travellers' cheques for pilgrims (Tschoegl 2002). In 1949 and 1953 the bank expanded its operations in the kingdom with new branches in Al-Khobar and Dammam cities respectively. In 1975, Banque de l'Indochine merged with

Compagnie de Suez to become Credit Banque Indosuez (CAI). Following the Saudiisation programme, adopted by SAMA in 1977, the newly joint-stock firm, the Banque Saudi Fransi, was established by the takeover of Banque de l'Indochine branches in the country with an ownership of 69 percent to the Saudi shareholders and 31 percent to the Credit Banque Indosuez (CAI), the largest bank in France, and among the world's top 10 banks by total equity. Currently, Banque Saudi Fransi stands as the fifth bank of the total traded Saudi banks with a market capitalisation of SR 39,960 million and the fourth in terms of total assets (Figures 4-1 and 4-2). The bank operates through 59 branches located in the major cities of the kingdom. It also operates 151 ATMs throughout the country with total assets of about SR 67 billion in 2004 (Banque Saudi Fransi, 2005).

4.1.4 Arab National Bank (ANB)

The Arab Bank Ltd of Jordan was the third bank that entered the kingdom with a foreign branch in 1949. In the beginning, both the governments of Saudi Arabia and Kuwait took on small stakes of about 10 percent in the Arab Bank (Wilson, 1983). In June 1979, the Arab National Bank was formed by taking over the operations of the Arab Bank Ltd of Jordan and the bank commenced operation in February 1980 (Al-Dukheil, 1995). The Arab Bank Ltd of Jordan owns 40 percent of the shares of ANB while the remaining 60 percent is owned by 5,000 Saudi nationals (ANB, 2005). Today, the bank's branches network has grown to reach 117 branches including one branch in London. The ANB stand the seventh between the Saudi banks in terms of market capitalisation and the fifth in terms of total assets, as it has total assets of about SR 67.4 billion. The total workforce is 1,940 employees (Figures 4-1 and 4-2).

Figure 4-2: Saudi Banks by total assets in SR billion

Source: The Banks' Annual Reports (2004).

4.1.5 Saudi British Bank (SABB)

The British Bank of the Middle East opened its first branch in Jeddah in 1950. Its profit was particularly dependent on the pilgrims performing Hajj during the holy months. The Hong Kong and Shanghai Banking Corporation (HSBC) acquired the British Bank of the Middle East in 1959 and in 1978 established the Saudi British Bank as a joint-stock company to take over its branches in the country (Tschoegl, 2002). As a joint venture firm, the ownership of the SABB is 40 percent in the hands of the HSBC and 60 percent local Saudi shareholders. Nowadays, the Saudi British Bank is an associated company of the HSBC group and it operates through a network of 76 branches, which include a branch in London and 13 exclusive ladies' sections/branches employing about 2,093 people (SABB, 2005). The total assets of the bank are about SR 66 billion, making it the sixth bank among Saudi banks in terms of total assets, it is the fourth in terms of market

capitalisation, with a paid up capital of SR 2 billion at 31 December 2003 (Figures 4-1 and 4-2).

4.1.6 National Commercial Bank (NCB)

The National Commercial Bank was the first local bank established in Saudi Arabia and was formed in 1953 to convert the partnership of Saleh and Abdulaziz Kaki and Salem Bin Mahfouz into the National Commercial Bank. The bank was constituted as a General Partnership from its founding in 1953 until 1977, when it was reconstituted as a Joint Stock Company as a first step towards an initial public offering. During 1999, the Public Investment Fund (PIF) acquired a 50 percent holding in the bank, and subsequently sold 10 percent to the General Organization for Social Insurance (GOSI). Today, the NCB is the largest bank in terms of capital, both in Saudi Arabia and in the Middle East. The bank's paid-up capital is SR 6,000 million with total assets at year end 2002 totalling SR 106,658 million. At present, the bank's shareholdings are: the PIF 69.3 percent, GOSI 10 percent, and private investors 20.7 percent. At the present time, the NCB is the only bank in Saudi Arabia that is not publicly traded.

4.1.7 SAMBA Financial Group

The Saudi American Bank started operations as the first National City Bank (Citibank), opening its first branch in Jeddah in 1955. This was followed by the establishment of the second branch of Citibank in the capital of Saudi Arabia, Riyadh, in 1966. Following the Saudiization policy implemented by SAMA in the late 1970s, the Saudi American Bank (SAMBA) was formed to take over these two branches. In addition, as in all the joint venture banks in the country, the policy included a management contract

agreement between the bank and the Citibank by which the bank managed and appointed the senior staff of SAMBA.

In 1999 SAMBA merged with the United Saudi Bank (USB) to create one of the largest and most profitable and valuable banks in the Middle East. USB itself was the product of a merger in 1997 between the United Saudi Commercial Bank (USCB) and the Saudi Cairo Bank (SCB). Before the merger, Citibank owned 30 percent of SAMBA, having sold 10 percent to two public agencies (Pension Fund and GOSI) in 1991. After the merger, Citibank still held 23 percent of the total shares in SAMBA. However, this percentage was reduced to 20 percent when Citibank sold 2.8 percent of its shares in the bank to the Pension Fund in 2002. The Kingdom Holding Company, owned by Prince Al-Waleed bin Talal, also has a large share ownership deriving from his ownership of the United Saudi Bank. In September 2003, an agreement was made between Citibank and SAMBA, which ended the technical assistance agreement between the two parties. Therefore, the management of the bank transferred to the local party. In addition, the name Saudi American Bank has been changed to the Samba Financial Group and the short name has been taken as SAMBA since Sunday 4/1/2004 (Tadawul, 2005). Such a step was followed by an important instance, in June 2004, in which the foreign partner, Citibank, sold their entire shareholding in the bank to the Public Investment Fund (a Saudi public entity). As a result of this sale, the Saudi shareholders' ownership in the bank's share capital has increased from 76.44 percent to 96.44 percent as at 30 June 2004 (SAMBA, 2005).

Currently, SAMBA boasts 62 branches, 253 ATMs, three global investment centres, a branch in London and a subsidiary in Geneva (Tschoegl, 2002). It represents the second listed traded bank in Saudi Arabia in terms of market capitalisation (Figure 4-1), and it

comes the first in terms of total assets with a value exceeding SR 108 billion (Figure 4-2).

4.1.8 Riyadh Bank

Riyadh Bank was formed in 1957 as the first Saudi joint-stock banking company (Al-Dukhiel, 1995), although, the National Commercial Bank was founded in 1953 as a partnership firm. Like other banks in Saudi Arabia, the Riyadh Bank faced some financial and liquidation problems in 1959, which affected the performance of the bank and forced SAMA to impose some reform on it. There were some changes to the bank's board of directors as well as some of the top management. Thus, the bank has worked under the trusteeship council since then (more details of these problems are explained in a previous section). Currently, the Riyadh Bank operates through 193 branches in the kingdom, plus a branch in London, UK, an agency in Houston, USA, and a representative in Singapore. The number of the bank's employees exceeded 4,000 in December 2004 (Riyadh Bank, 2004). The Riyadh Bank comes third in terms of market capitalisation after Al-Rajhi Banking and the Investment Corporation and SAMBA group (Figure 4-1). The bank ranked the third in terms of total assets, with SR 80 billion (Figure 4-2)

4.1.9 Bank Al-Jazira

Bank Al-Jazira is a Saudi Joint Stock Company formed in 1975. The bank commenced its business on October 1976 with the takeover of the National Bank of Pakistan. In 1992, the National Bank of Pakistan held about 35 percent of the shares. However, in late 1992, the bank raised its capital, which resulted in 92.25 percent of the capital

shares being held by Saudi shareholders. At the end of 2003, the bank operated 14 branches and employed about 500 staff in the country. The bank is the smallest of the trading banks in the country in terms of market capitalisation, and its total assets are valued at SR 14 billions (Figures 4-1 and 4-2).

4.1.10 Saudi Investment Bank (SAIB)

In the 1950s, Chase National Bank (later the Chase Manhattan Bank) wanted to establish a branch in Saudi Arabia in response to the needs of the United States oil companies operating in the kingdom (Wilson, 1986). However, as the Citibank was operating in the country at that time, SAMA did not give permission to Chase to open a branch (Tschoegl 2002). In 1976 Chase entered indirectly by the establishment of the Saudi Investment Bank, in which Chase took 20 percent and a management contract to manage the venture. Other foreign investors included the Industrial Bank of Japan, Commerz Bank and J. Henry Schroder Wagg with 5 percent each (Al-Dukheil, 1995; Tschoegl, 2002). Saudi investors included Bank Al-Jazira with 5 percent, the Riyadh Bank and the National Commercial Bank with 8 percent each. In 1984, Commerz Bank sold out its shares to the National Industrial Company, reducing foreign ownership to 52 percent. In 1987, Chase gave up the management contract. Currently, Chase owns 7.5 percent of the bank shares and a representative of Chase sits on the board, the Industrial Bank of Japan owns 2.5 percent, and a government agency owns 8 percent of the shares. In terms of market capitalisation, SAIB is the ninth bank operating in the kingdom. Likewise, the Saudi Investment Bank is one of the smallest banks in the kingdom in terms of total assets, with a value of SR 40 billions only (Figure 4-1, Figure 4-2).

4.1.11 Al-Rajhi Bank

Al-Rajhi Banking and Investment Corporation has a long history of conducting operations in the kingdom. Al-Dukheil (1995) shows that, in order to understand the nature of the businesses of the bank, it is necessary to study its roots. The Al-Rajhi family started its business of money changing in Riyadh in 1940. This was followed by the establishment of the Al-Rajhi Co for Currency Exchange and Commerce (ARCCEC) in 1978 as a partnership organisation, built on the Al-Rajhi cornerstones of deposit-taking, money exchanging and bullion dealings (Al-Dukheil, 1995). In 1980, the company opened its Islamic division to build up assets that would conform to the Shari'ah principles. At the same time, the Al-Rajhi Co for Islamic Investment Ltd was incorporated in London to provide advisory services for its parent firm. ARCCEC was run strictly according to conservative Islamic rules. Al-Dukheil (1995) reports that the incorporation of the firm to a bank led to a prolonged dispute as to whether ARCCEC should offer 'Islamic instruments'. "Seen against this background, one may conclude that, although officially, Al-Rajhi Banking and Investment Corporation is not an 'Islamic bank', in effect it is just that" (Al-Dukheil 1995). In 1988, SAMA licensed the company to incorporate as the Al-Rajhi Banking and Investment Corporation. Wilson (2004) shows that Al-Rajhi applied, in 1983, for a licence to convert its status from the largest money exchanger in the country to a bank so that all of its transactions would be based on the Shari'ah' principles and avoid Riba. However, SAMA realised that, if Al-Rajhi was granted the licence to operate and was designated with the term 'an Islamic bank', it would mean that other banks were non- Islamic (Wilson, 2004), which is why it agreed to the name Al-Rajhi Banking and Investment Corporation.

Currently, the Al-Rajhi Banking and Investment Corporation is considered one of the largest banking corporations in the kingdom with a 100 percent Saudi capital, which started at SR 750 million, increased to SR 1.5 billion, to SR 2.25 billion, to SR 4.50 SR billion, and currently stands at SR 6.75 billion. In addition, in 2001, Al-Rajhi was the world's largest Islamic commercial firm with assets worth over SR 37 billion (Wilson, 2004). In 2004, the firm's assets rose to reach just over SR 95 billion (Figure 8.2). The bank represents the first publicly traded bank in Saudi Arabia, being responsible for about 32 percent of the total banks' market capitalisation (Figure 4-1). Meanwhile, in terms of total assets, the Al-Rajhi Bank comes second in the list right after SAMBA with total assets above SR 108 billions.

4.1.12 The New Rivals

During the 1990s, no new bank licences were issued. However the year 2000 ushered in a new era of openness when a licence was granted to the Gulf International Bank, a Bahraini bank, owned by the Gulf Cooperation Council countries (GCC). This was to implement a decision made by the GCC Heads of States to permit qualifying GCC-owned banks in their home markets. This has been followed by new licences to four more GCC-owned banks, (namely the Emirates Bank International, the National Bank of Kuwait, the National Bank of Bahrain and the Bank Muscat). In November 2004, the eight money exchanging companies operating in the kingdom were granted approval to merge by Royal Decree No 48/M as the Saudi Joint Stock Company. The new bank was established as the Albilad Bank with a corporate capital of SR 3 billion. Albilad is Saudi Arabia's 11th bank and the second bank in Saudi Arabia that avoids Riba after the AlRajhi Banking and Investment Corporation. In terms of market capitalisation Albilad Bank is ranked as the sixth.

Licences were also granted to five other major international and emerging market banks (including BNP Paribas, Deutsche Bank, JP Morgan, State Bank of India and National Bank of Pakistan). In early May/06 Deutsche Bank opened a branch in Riyadh and National Bank of Kuwait opened one in Jeddah. The remaining banks are in the process of opening their branches in 2006. In Mar/06 a Royal Decree was issued approving the incorporation of a joint-stock company under the name "the Development Bank", with a capital of 15 billion SR (4 billion US dollars). This would enhance competition and open new horizons for diversified banking services.

4.8 QUALITY CHALLENGES FACING THE SAUDI BANKING INDUSTRY

Providing quality service to customers is essential for success and survival in today's competitive banking environment (Samli and Frohlich, 1992). Among others, provision of high quality services enhances customer retention rates, helps attract new customers through word of mouth advertising, increases productivity, leads to higher market shares, lowers staff turnover and operating costs, and improves employee morale, financial performance and profitability (Julian and Ramaseshan, 1994; Lewis, 1989; 1993).

Service quality issues have received growing attention from management and academic circles. Much of this focus, however, has been in developed countries (Herbig and Genestre, 1996) even though services is among the fastest growing sectors in emerging countries (Malhotra *et al.*, 1993). Perhaps due to the prevailing sellers' market conditions in the emerging economies, service quality issues have long been neglected (Firoz and Maghrabi, 1994; Kassem, 1989).

Al-Sayari (2006) the governor of the Saudi Arabian Monetary Agency, in his most recent speech, identified several challenges and possible opportunities facing the Saudi banking industry, which can be summarised as follows:

First, he stated that Saudi banks are going to face an increasingly competitive environment both domestically and in the region. This is because with open policies in the Kingdom, the number of banks operating in Saudi Arabia would almost double to 20 by the end of 2006. These will include the best group of regional and international banks, apart from the possibilities which modern technology provides for offering cross-border services. The banks will also compete, in the area of financial and advisory services, with non-banking financial institutions licensed by the Capital Market Authority. These institutions will compete in providing a number of financial and advisory services.

Second, he expected that banks will face increased demand for the provision of advanced banking services and products to meet the requirements of the era. Therefore, work should focus on creativeness and innovation so that banks can cater to future needs of different types of customers. High levels of banking services should be maintained. There should also be expansion in the number of branches, ATMs, telephone banking and other channels.

Third, he also expected that the private sector will have a greater role in these projects and in the pace of the overall activity. Thus, the financial and banking sector is entering a very dynamic and exciting phase with acceleration in all areas. There are new players, new market opportunities, a range of new products and services, and significant growth in traditional services. The financial sector should be able to fully leverage its tradition

of openness and liberalisation, its large investment in technology infrastructure, internal control, and development of its manpower. It is entering a new era of increased consumer participation and awareness, greater competition, enhanced transparency and strong supervision and corporate governance. The financial sector is in a strong position to rise up to these challenges and meet the demands of a rapidly growing economy and consumer expectation. Al-Sayari emphasised his wishes and expectations that the Saudi Financial Sector will continue to be a leader and a major player in the domestic and regional economic activity.

Fourth, he concluded by appreciating the significance of the development and rapid growth in the provision of Islamic Shariah compliant services to cater to the increasing demand by customers for such services, and commented on their significance in balancing the market.

4.9 SUMMARY

Saudi banks have significant weight in the Arab and Middle East regions. This chapter has provided an overview of the development of the banking industry in Saudi Arabia. Furthermore, it examined the role of SAMA, i.e., the banking sector regulator. The agency played a significant role in maintaining a stable framework to ensure the strength of the banking industry. SAMA has been performing its role in monitoring, regulating, and developing the banking industry since its establishment to the present day. This chapter also identified the difference between the Saudi banks in terms of their volume and composition, showing that they range from small banks (Saudi Investment Bank and Bank Al-Jazira) to medium banks (Banque Saudi Fransi, the Saudi British Bank, Arab National Bank and the Saudi Hollandi Bank) and large banks

(National Commercial Bank, the Saudi American Bank, the Riyadh Bank and Al Rajhi Banking and Investment Co).

The following chapter will provide a detailed discussion of the research design and methodology issues that the researcher needs to deal with. It also explains the reasons for selecting methods for data collection, and describes the design of the data collection instruments.

CHAPTER FIVE:
RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

Chapter three addressed the development of a conceptual model including selecting variable and operational definitions, identifying the measurement scales, and constructing hypotheses.

The main purpose of this chapter is to provide an outline of the research methods used and to explain the procedures employed to collect the data. It also discusses the theory underlying the methods used to help to understand the reasons for undertaking certain activities. The discussion has to be addressed within the context of the research setting introduced in Chapter Four and guided by the review of the literature in Chapters Two and Three.

This chapter will be divided into two main parts. The first part (section 5.2) focuses briefly on the literature of research methodology and design; then, it covers the nature of research, its types in terms of approach and design, and finally, the differences between quantitative and qualitative research.

The second part (section 5.3) concentrates on the processes employed in the design and execution of this research in order to obtain data that achieve the research objectives. It explains the research methodology of the study, starting with justification of the research methods adopted.

It also explains the case study strategy, which includes several data collection methods focus group interview, retrieving archival records, and obtaining several firms'

documents. Furthermore, it explains the questionnaire design, the questionnaire rationale, and the questionnaire sample. Finally, the statistical tests applied to the data are identified.

5.2 RESEARCH DESIGN AND RESEARCH METHODOLOGY

Before we start reviewing the available research purposes, approaches, strategies, data collection methods, and other important related matters, there are two commonly used terms that must be distinguished and clarified, namely “research design”, and “research methodology”.

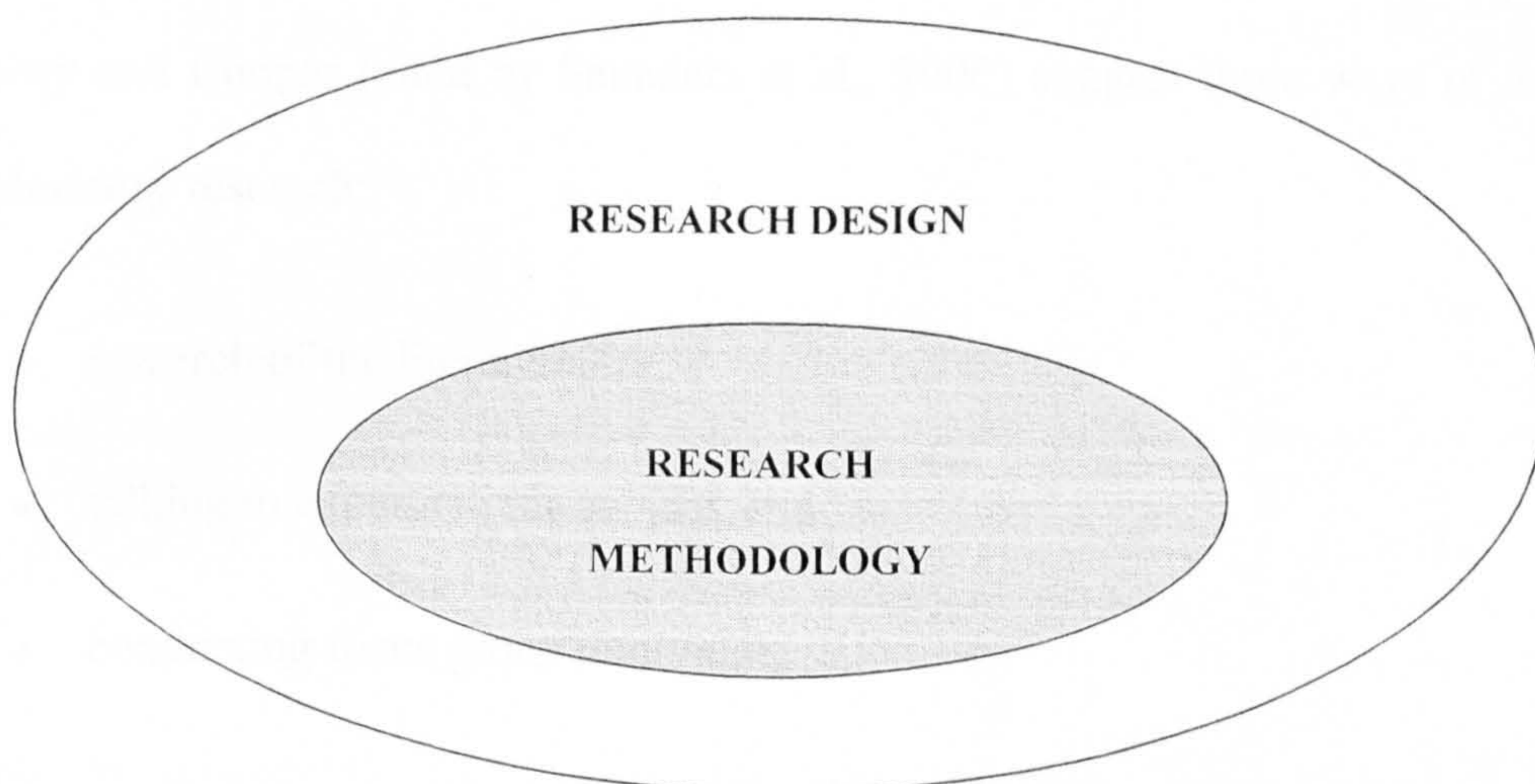
Research design is the ‘blueprint’ that enables the researcher to come up with solutions to possible problems and acts as guidance in various stages of a research (Yin, 2003a). In addition, research design is the programme that guides the researcher in the process of collecting, analysing, and interpreting research observations (Nachmias and Nachmias, 1996). Accordingly, it deals with at least four problems of carrying out a successful research: what questions to study, what data are relevant, what data to collect and how to analyse the results (Yin, 2003a). Accordingly, research design covers strategic decisions concerning the choice of data collection methods, and more tactical decisions regarding measurement and scaling procedures, questionnaire, samples, and data analysis (Zikmund, 2003).

On the other hand, research methodology is a system of explicit rules and procedures on which research is based and against which claims for knowledge are evaluated. Cooper and Schindler (1998) suggest that research methodology presentation should contain

sampling design, research design, data collection, data analysis, and limitations or constraints that the research faced.

Finally, research design provides a conceptual framework for the study, while research methodology is concerned with the tools that were used to achieve each specific aim. It provides a framework that guides data collection and data analysis. According to the above discussion, research design is more holistic and includes research methodology (see Figure 5-1), since it is more related to strategic issues.

Figure 5-1: Position of research methodology within Research Design



5.2.1 RESEARCH PURPOSE

Many experts on research agree on three main purposes of carrying out research, namely exploratory, descriptive and explanatory (Robson, 1993; Saunders et al. 2000; Yin, 2003b). In fact, Robson (1993) pointed out that the purpose of an enquiry may change over time, which means a study may include more than one purpose. More details about these purposes are now given.

5.2.1.1 Exploratory

Exploratory studies try to build descriptions of complex circumstances or phenomena that are unexplored in the literature (Marshall and Rossman, 1999). Thus, exploratory studies are often performed in order to clarify the nature of vague problems. Saunders et al. (2000) explained that exploratory studies as “tend to start with a wide research area, and narrow down as the research develops”. Robson (1993) argues that exploratory studies are a valuable means of finding out “what is happening; to seek new insights; to ask questions and to assess phenomena in a new light”. Correspondingly, Yin (2003b) considers by an exploratory study we mean a study of a new phenomenon.

Emory and Cooper (cited by Saunders et al., 2000) suggest three ways of conducting exploratory research:

- a search of the literature,
- talking to experts in the subject, and
- conducting focus group interviews.

Exploratory research is characterised by formulating problems more precisely, clarifying concepts, gathering explanations, gaining insight, eliminating impractical ideas, and forming hypotheses, although it does not seek to test them. Ultimately, in exploratory research, flexibility is very apparent; it can be performed using a literature search, surveying certain people about their experiences, focus groups, and case studies.

5.2.1.2 Descriptive

The aim of descriptive research is “to portray an accurate profile of persons, events or situations” (Robson, 1993: 4). This may be an extension of, or a forerunner to, a piece

of exploratory research. It is necessary to have a clear picture of the phenomena on which the researcher wishes to collect data prior to the collection of the data. Dane (1990) claims that descriptive research involves examining a phenomenon to define it more fully or to differentiate it from other phenomena. He further states that descriptive research involves attempts to define or measure a particular phenomenon, usually by attempting to estimate the strength or intensity of behaviour, or the relationship between two behaviours. In academic research, descriptive research is more rigid than exploratory research. An example of a management descriptive research can be when it is seeking to describe users of a product or service, determine the proportion of the population that uses a product or service, or predict future demand for a product or service.

As opposed to exploratory research, descriptive research should define questions, people surveyed, and the method of analysis prior to beginning data collection. In other words, the who, what, where, when, why, and how aspects of the research should be defined. Such preparation allows one the opportunity to make any required changes before the process of data collection has begun. However, Saunders et al. (2000) stated that “descriptive research should be thought of as a means to an end rather than an end in itself”.

5.2.1.3 Explanatory

A number of research specialists believe that explanatory studies are very useful when research is aiming to establish causal relationships between variables (Marshall and Rossman, 1999; Saunders et al. 2000; Yin, 2003b). Therefore, explanatory studies are

sometimes called “causal studies”. In addition, Yin (2003b) notes that in explanatory studies, questions deal with operational links which need to be traced over time.

Bernard in Miles and Huberman (1994) implies that explanation means “making complicated things understandable by showing how their component parts fit together according to some rules” (p.90). However, it is vital to note that conducting an explanatory research requires a well-defined research problem, and hypotheses need to be stated. In addition, explanatory research is used regularly within areas where extensive research has already been done.

5.2.2 RESEARCH APPROACH

Selecting the research approach is one of the most critical phases that a researcher should be aware of when seeking answers to a problem. Easterby-Smith et al. (1991:21) insist that gaining more knowledge about research approaches is very important for three reasons. First, it enables the researcher to take more informed decisions about his/her research design. Second, it will help the researcher to think about those research approaches that will work for him/her and, critically, those that will not. Third, knowing the different research approaches enables the researcher to adapt his/her research design to cater for constraints. According to Easterby-Smith et al. (1991), there are two opposing philosophical/methodical approaches in research: positivism and phenomenology.

5.2.2.1 Positivism versus Phenomenology

Positivistic approaches to research are based on research methodologies commonly used in science. They are characterised by a detached approach to research that seeks out the facts or causes of any social phenomenon in a systematic way. Collis and Hussey (2003)

stated that “Positivistic approaches are founded on a belief that the study of human behaviour should be conducted in the same way as studies conducted in the natural sciences”. Gill and Johnson (2002) argue that positivist research has a number of distinguishing features, including:

- is deductive (theory tested by observation),
- seeks to explain causal relationships between variables,
- normally uses quantitative data,
- employs controls to allow the testing of hypotheses, and
- uses a highly structured methodology to facilitate replication

On the other hand, the phenomenological approach to research is one that believes that human behaviour is not as easily measured as phenomena in the natural sciences. The phenomenological idea is that reality is socially constructed rather than objectively determined (Easterby-Smith et al., 1991). This thought has grown as a reaction to the application of positivism to the social sciences.

Phenomenology is characterised by a focus on the meanings that research subjects attach to social phenomena, and an attempt by the researcher to understand what is happening and why. Such research would be mainly concerned with the context in which such events were taking place. Thus, the study of a tiny sample of subjects may be more appropriate than a large number, as with the positivist approach. The phenomenology approach is more likely to work with qualitative data and use a variety of methods to collect them in order to establish different views of phenomena (Easterby-Smith et al., 1991). Interestingly, Saunders, Lewis et al. (2000) tried to bring

together the advantages and disadvantages of both positivist and phenomenological philosophical approaches; this attempt is summarised in Table 5-1.

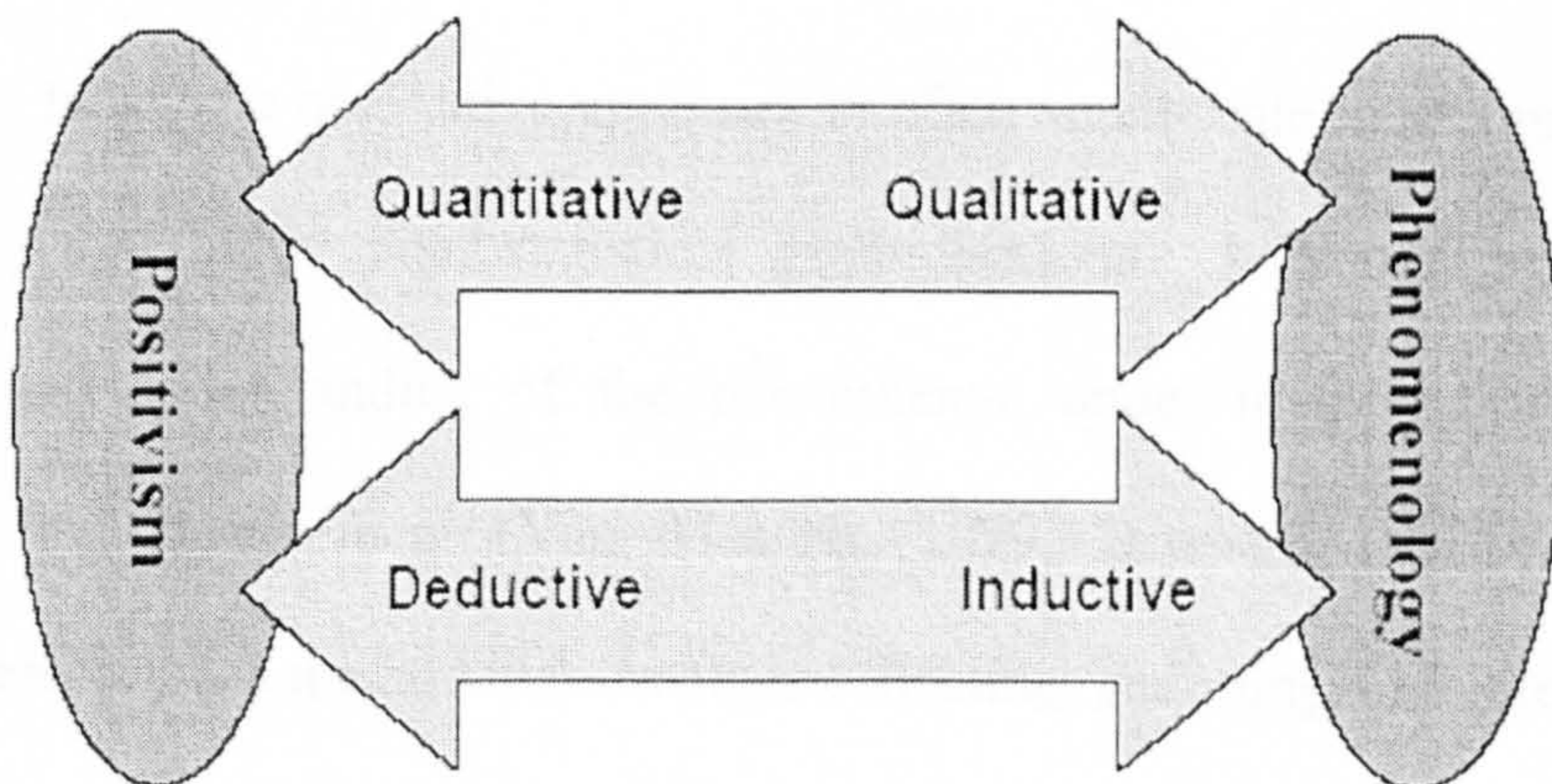
Table 5-1: Advantages and disadvantages of Positivism and Phenomenology

	Positivism	Phenomenology
Advantages	<ul style="list-style-type: none"> - Economical collection of large amount of data - Clear theoretical focus research at outset - Greater opportunity for researcher to retain control of research process - Easily comparable data 	<ul style="list-style-type: none"> - Facilitates understanding of how and why - Enables researcher to be alive to changes which occur during research process - Good at understanding social processes
Disadvantages	<ul style="list-style-type: none"> - Inflexible direction often cannot be changed once data collection has started - Weak at understanding social processes - Often does not discover meanings people attach to social phenomena 	<ul style="list-style-type: none"> - Data collection can be time consuming - Data analysis is difficult - Researcher has to live with the uncertainty that clear patterns may not emerge - Generally perceived as less credible by 'non-researchers'

Source: Saunders, Lewis et al. (2000)

Riege (2003) claims that positivist research is normally combined with quantitative and deductive approaches. In contrast, phenomenological inquiries are mainly associated with qualitative and inductive approaches (see Figure 5-2).

Figure 5-2: Research Approaches



Consequently, research approaches can be considered as quantitative/qualitative and deductive/inductive. Yet, it is important to note that these approaches have a significant relationship with each other, as Riege (2003) mentioned earlier; furthermore, it is hard to talk about one of these approaches without referring to the other. However, in the following sections, the researcher will review these approaches in a what some segregated manner, with the intention of gaining a better picture of each individual approach.

5.2.2.2 Quantitative versus Qualitative

According to Creswell (2003) research can be categorised into two distinct types: qualitative and quantitative research. Quantitative research can be defined as the methods that primarily seek to express information numerically (Remenyi, 1998). In quantitative research, the researchers, as subjects, are seen as distant from the objects of investigation (Dachler, 1997). The quantitative approach places an emphasis on the structural issues of measurement and analysis of relationships between certain variables and on simple processes (Van Maanen, 1979; Denzin and Lincoln, 2000). In essence, McClintock et al. (1979) argue, quantitative approaches provide researcher with narrow, but hard and generalisable results.

On the other hand, the qualitative approach is often small-scale, and aims to obtain a richness of detail rather than statistical generalisations. It also aims for detailed description and understanding of the phenomenon under investigation by way of observation and involvement (Van Maanen, 1979; Bryman, 1992). Furthermore, qualitative research is a method that involves collecting, analysing, and interpreting data by observing what people do and say (Creswell, 2003). In fact, qualitative research

focuses on understanding phenomena and describing both the meaning and implications of events (Carson and Coviello, 1996).

Bryman (1992) argues that subjectivity, flexibility, lack of rigorous experimental control and determinism are mostly associated with qualitative data collection and analysis, which result in limiting their application to certain types of research.

According to Lee (1992) one of the most fundamental distinctions often stated is that the quantitative approach is objective and the qualitative approach is subjective. Furthermore, qualitative research is concerned with observation, description and generation of hypotheses, as a contrast to positivist traditions. Furthermore, McDaniel and Gates (2002) outlined some more differences apparent in Table 5-2.

Table 5-2: Qualitative vs. Quantitative

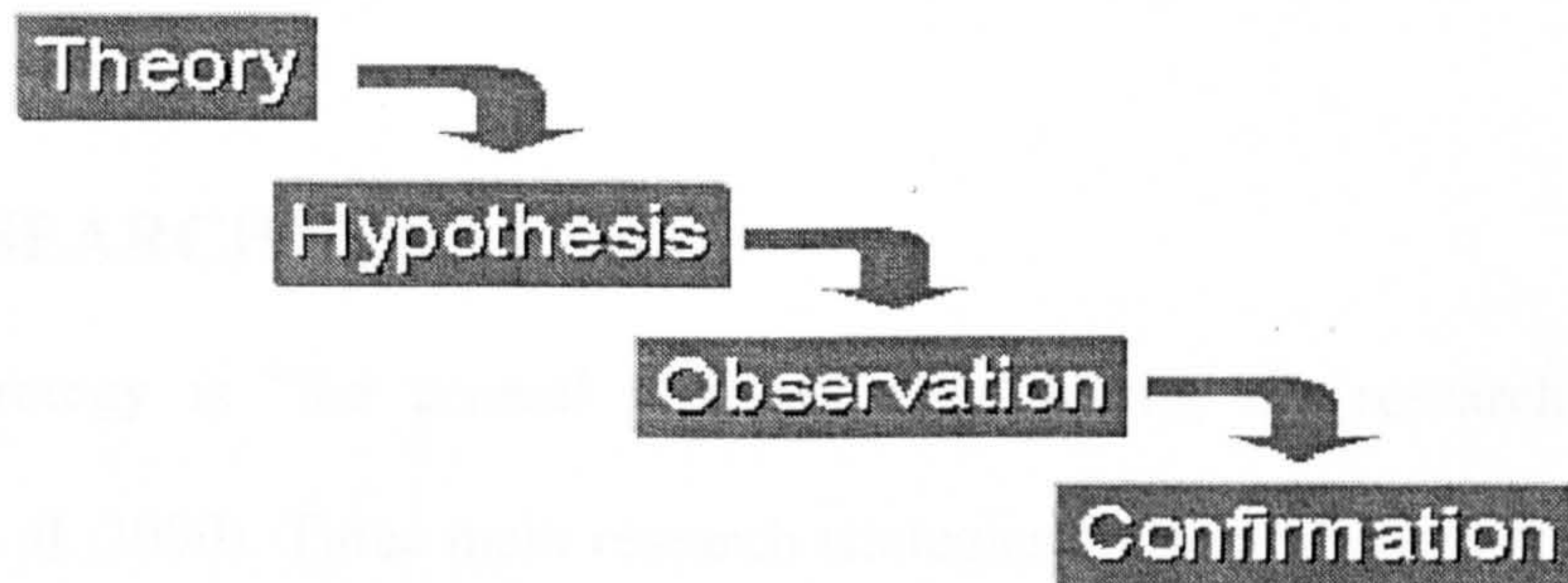
	Qualitative Approach	Quantitative Approach
Types of questions	Probing	Limited probing
Sample size	Small	Large
Amount of information	Substantial	Varies
Requirements for administration	Interviewer with special skills	Interviewer with fewer special skills
Type of analysis	Subjective, interpretive	Statistical, summation
Hardware	Tape recorders, projection devices, video, recorders, pictures, discussion guides	Questionnaires, computers, printouts
Degree of reliability	Low	High
Type of research	Exploratory	Descriptive or causal

Source: Adapted from McDaniel and Gates (2002)

5.2.2.3 Induction versus Deduction

Deductive research (Figure 5-3) starts with the existing theories and concepts, and formulates hypotheses that are later tested with the help of empirical data (Gummesson, 2000). In practice, it means “testing the theories”.

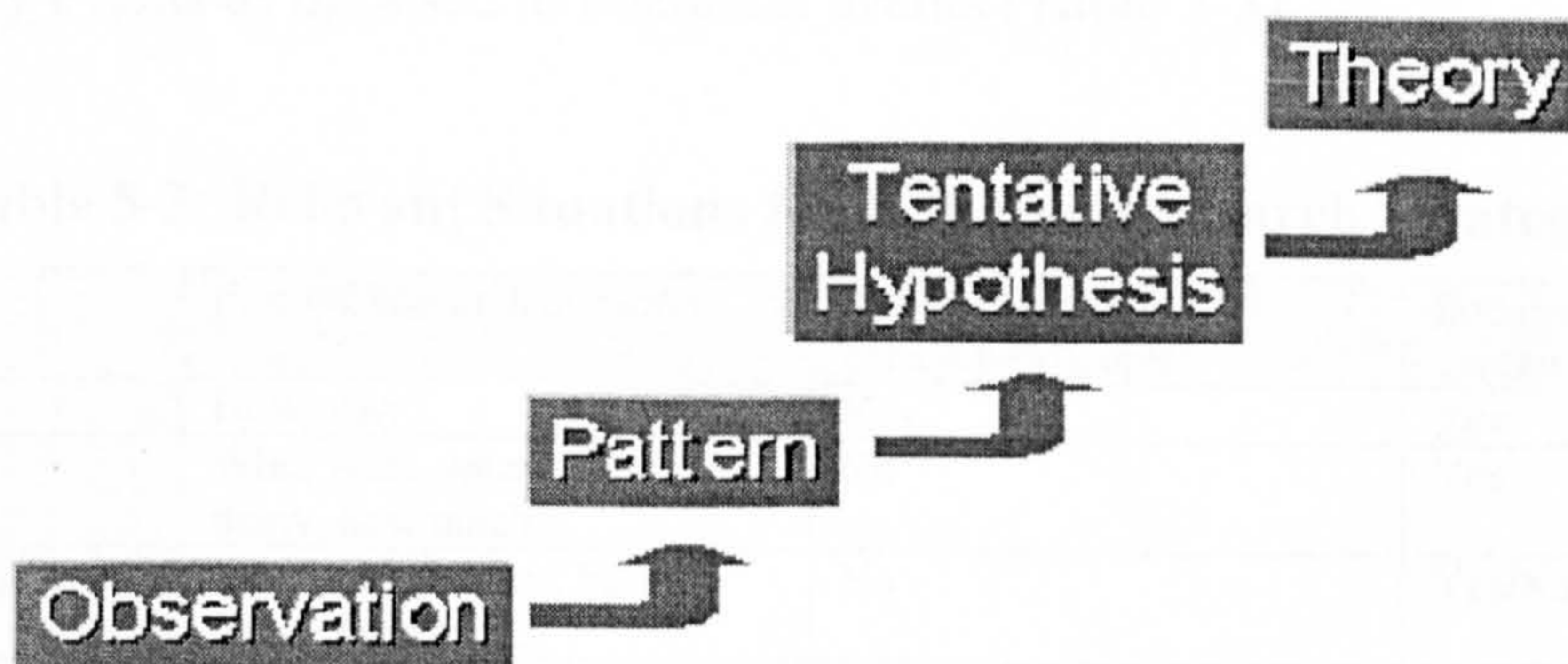
Figure 5- 3 Deductive Approach



Source: Adapted from Trochim (2001)

On the other hand, inductive research (Figure 5-4) starts with the empirical data, and the result is the emergence of concepts, models, and eventually theories (Gummesson, 2000).

Figure 5-4: Inductive Approach



Source: Adapted from Trochim (2001)

Saunders et al. (2000) explain that research uses the inductive approach, when the researcher collects data and develops theory as a result of the data analysis, while the deductive approach is where the researcher develops a theory, hypothesis (or

hypotheses), and designs a research strategy to test the hypothesis. Trochim (2001) argues that deductive reasoning works from the more general to the more specific. He called the deductive approach informally a ‘top-down approach’. On the other hand, he considers Inductive reasoning to work the other way round, moving from specific observations to broader generalisations and theories. Informally, he named it ‘bottom-up approach’.

5.2.3 RESEARCH STRATEGY

Research strategy is “the general plan about answering the research question(s)” (Saunders et al. 2000). Three main research strategies are identified by Robson (1993), namely: experiment, survey and case study. These strategies were agreed by Yin (2003b), although he complemented the list with archival analysis and histories. Yin confirms that the right research strategy can be determined by considering three conditions. These conditions are the type of research question posed, the extent of control an investigator has over behavioural events, and the degree of focus on contemporary events as opposed to historical events (Table 5-3).

Table 5-3: Relevant Situations for Different Research Strategies

Strategy	Form of research question	Requires control over behavioural events	Focuses on contemporary events
Experiment	How, why?	Yes	Yes
Survey	Who, what, where, how many, how much?	No	Yes
Archival analysis	Who, what, where, how many, how much?	No	Yes/No
History	How, why?	No	No
Case Study	How, why?	No	Yes

Source: Yin(2003b)

Survey and case study research strategy only will be reviewed in the following sections, as a result of their extensive use within management research.

5.2.3.1 Surveys

Bryman (1992) points out that survey is an appropriate means of gathering data under three conditions:

- when the goals of the research call for quantitative data,
- when the information sought is reasonably specific and familiar to the respondents, and
- when the researcher has considerable prior knowledge of particular problems and the range of responses likely to emerge.

Survey as research strategy is the most efficient strategy when collecting data from a large group of people or a population. It is more often used as the sole or primary source of quantitative data in management research. According to Remenyi et al. (1998), it can be used for description, explanation, and/or hypothesis testing.

The questionnaire method has the following advantages: economical, efficient, much larger sample of respondents, ability of generalisation, versatility, standardisation, ease of administration, and suitability for statistical analysis (McClintock et al., 1979; Hammersley, 1987).

Surveys can be conducted in several ways, ranging from face-to-face interview to a postal questionnaire (Bourque and Fielder, 1995). A questionnaire survey, as defined by McDaniel and Gates (2002), is a set of questions designed to generate the evidence necessary to accomplish the objectives of the research study.

5.2.3.2 Case study

Case study strategy, as Bell (1993) stated, is an umbrella term for a family of research methods having in common the decision to focus on an enquiry around a specific instance or event. Indeed, qualitative research and case study are synonymous terms, which are fundamentally associated together all the time. Case study is a methodology suitable when the aim is to better understand complex social phenomena, and is an empirical inquiry that investigates a contemporary phenomenon within its real-life context. According to Remenyi et al. (1998), it is a preferred research strategy when 'who', 'why', and 'how' questions are being examined, when the researcher has little control over events, and when the focus is on a contemporary phenomenon within some real-life context. In addition, case study methodology is especially useful when the boundaries between phenomenon and context are not clearly evident (Yin, 2003b).

Yin (2003b) argues that a case study can be used for exploratory, descriptive or explanatory purposes. An exploratory case study is a pilot for other studies or research questions, and aims at defining the questions and hypotheses of a subsequent study or at determining the feasibility of the desired research procedures. A descriptive case study provides narrative accounts and presents a complete description of a phenomenon within its context. An explanatory case study is used for testing theories, it always presents data bearing on relationships and explaining which causes produced which effects (Yin, 2003b).

Case studies have a number of advantages that make them attractive to researchers. Adelman, Kemmis, and Jenkins (1980) indicate that case study data is strong in reality and has the ability to facilitate the recognition of the complexity and the embeddedness

of social. Moreover, it is a means to obtain a more holistic, context-based approach that provides an analytic, not a statistical generalisation (Yin, 2003b).

Conversely, several limitations to the case study methodology have been noted. There may be bias in writing the description, which could influence the conclusions or emphasise a particular viewpoint. Researchers also question the ability to generalise from a single case. Case studies have also been criticised for taking too long to do, and resulting in long, unreadable documents. Yin (2003b) added to the methodological limitations of the case study strategy, by stating that “within the academic community, researchers, who reject case study, do so mainly referring to the method’s lack of rigor and the difficulties of scientific generalisation” (Yin, 2003b). Another suggested deficit of the case study methodology is that it is considered to be very time-consuming and generates a massive amount of data, which often are not used.

5.2.4 DATA SOURCES AND DATA COLLECTION METHODS

According to Yin (2003b) it is necessary to decide how the empirical data will be collected after having determined the most suitable research strategy. Yet before deciding the most appropriate data collection methods, it is vital to distinguish between two main types of data, namely primary and secondary data. Secondary data are data that have already been gathered by other researchers with different purposes in mind, while primary data are data that a person gathers on his/her own with a specific purpose in mind. Each type of data entails varying amounts of effort with regard to the collection process. Good examples of secondary sources of data are government and academic publications, and public databases.

Having established what type of data is required, it is necessary, within the scope of the selected research procedure and the theoretical framework, to decide the most suitable way of obtaining the required information. When collecting primary data, there are a number of different data collection methods to choose from. Roger and Victor (2006) indicated that “There is no single best way of collecting data; the method chosen depends on the nature of the research question posed and the specific questions you want to ask respondents. The aim of all methods is to obtain valid and reliable data”.

5.2.4.1 Data collection methods associated with case study

Data for case study are mainly obtained from six various sources: documents, interviews, direct observation, participant-observation, physical artefacts, and/or archived records (Merriam, 1988; Cohen and Manion, 1994; Remenyi et al, 1998; Yin 2003b). No source is better than the other (Table 5-4). In some studies, only one method of data collection is used. However, Yin (2003b) argues that research methods should be considered complementary, and therefore a good case study will rely on as many sources as possible. Using multiple sources of evidence will increase the reliability and validity of the data, which will have a valuable impact on the study’s findings.

Table 5-4: Six Sources of Evidence: Strengths and Weaknesses

Sources of evidence	Strengths	Weaknesses
Documentation	<ul style="list-style-type: none"> • Stable: can be reviewed repeatedly • Unobtrusive: not created as a result of the case • Exact: contains exact names, references, and details of an event • Broad coverage: long span of time, many events, and many settings 	<ul style="list-style-type: none"> • Retrievability: can be low • Biased selectivity: if collection is incomplete • Reporting bias: reflects (unknown) bias of author • Access: may be deliberately blocked
Archival records	<ul style="list-style-type: none"> • Same as above for documentation • Precise and quantitative 	<ul style="list-style-type: none"> • Same as above for documentation • Accessibility due to privacy blocked

Interviews	<ul style="list-style-type: none"> • Targeted: focuses directly on case study topic • Insightful: provides perceived causal inferences 	<ul style="list-style-type: none"> • Bias due to poorly constructed questions • Response bias • Inaccuracies due to poor recall • Reflexivity: interviewee says what interviewer wants to hear
Direct observations	<ul style="list-style-type: none"> • Reality: cover events in real time • Contextual: covers context of event 	<ul style="list-style-type: none"> • Time consuming • Selectivity: unless broad coverage • Reflexivity: event may proceed differently because it is observed • Cost: hours needed by human observers
Participant observation	<ul style="list-style-type: none"> • Same as for direct observation • Insightful into interpersonal behaviour and motives 	<ul style="list-style-type: none"> • Same as for direct observations • Bias due to investigator's manipulation of events
Physical artefacts	<ul style="list-style-type: none"> • Insightful into cultural features • Insightful into technical operations 	<ul style="list-style-type: none"> • Selectivity • Availability

Source: Yin (2003b)

5.2.5 SAMPLE SELECTION

For many research questions and objectives, it will be impossible for a researcher either to collect or to analyse all the data available, for reasons of time, money, and often access. Using sampling enables a higher overall accuracy than a census, due to the time-saving, designing. According to Saunders et al. (2000), sampling techniques can be divided into two types:

- Probability or representative sampling
- Non-probability or judgmental sampling

Probability sampling is most commonly associated with survey-based research where the researcher needs to make inferences from the sample about a population to answer the research questions or to meet the research objectives.

5.2.6 CREDIBILITY OF RESEARCH FINDINGS

Underpinning the above-mentioned approaches and methods, about the various design components, is the issue of the credibility of research findings. Rogers (1961) cited by Raimond (1993: 55) indicates that “scientific methodology needs to be seen for what it truly is, a way of preventing me from deceiving myself in regard to my creatively formed subjective hunches which have developed out of the relationship between me and my material”. Reducing the possibility of getting the answer wrong means that attention has to be paid to two particular issues: reliability and validity, throughout all research design phases.

5.2.6.1 Reliability

Reliability means that two or more researchers, studying the same phenomenon with similar purposes, should reach approximately the same results (Gummesson, 2000). This necessitates keeping a thorough protocol of the study so that others who might want to execute the same study following the same protocol should be able to reach the same findings and conclusions (Yin, 2003b). Thus, a study with high reliability can be replicated by others (Gummesson, 2000). Robson (1993) asserts that “there are two things that threaten reliability, ‘error’ and ‘bias’, and each of these can come from the subject or the researcher”. There are several ways of controlling reliability. These include choosing neutral times to do interviews, for example, Monday mornings and Friday afternoons may generate results that do not conform to what would have been said at other times. Moreover, the structure of the interview and the objectivity of the interviewer are elements to be taken into account in order to get as high reliability as possible (Saunders et al. 2000).

5.2.6.2 Validity

Validity is the extent to which a question or scale is measuring the concept, attribute or property it says it is. Basically, validity is divided into two main parts: a) internal validity b) external validity.

2.1.1.1.1 *Internal validity*

Internal validity contains three sub-types, which are:

Face validity. Face validity is the mere appearance that a measure is valid (Kaplan and Saccuzzo, 2005). In face validity one looks at the measure and sees whether "on its face" it seems a good reflection of the construct. This type of validity is considered to be a basic and very minimal index of validity. It indicates that the items being presented on the questionnaire are clear and understandable to the subject. A possible way to test Face validity is by giving the questionnaire to a sample of respondents to gauge their reaction to the items (Cavana et al., 2001).

Content validity. Burns and Bush (1998) stated that "Content validity is a judgmental evaluation of how well the content of a scale represents the measures". The judgment that an instrument is measuring what it is supposed to is primarily based upon the logical link between the questions and the objectives of the study. Hence, each question on the scale must have a logical link with an objective; and the establishment of this link is called content validity. Content validity is judged on the basis of the extent to which statements or questions represent the issues they are supposed to measure. If the items of an instrument cover the full range of the issues or attitude being measured, we can say that the instrument has content validity. Apart from face validity, content validity is

the only type of validity for which the evidence is subjective and logical rather than statistical (Kaplan and Saccuzzo, 2005).

Construct validity. The construct validity of an instrument depends on whether it can measure the theoretical construct, which it was supposed to measure (Samson and Terziovski, 1999). There are two specific forms of construct validity a) *Convergent* and b) *Discriminate* validity. Convergent validity is established when the scores obtained by two different instruments measuring the same concept are highly correlated. Construct validity can be established through correlation analysis (Cavana et al., 2001), and factor analysis (Cavana et al., 2001; Hair et al., 1998). Factor analysis is a multivariate statistical technique that would confirm the dimensions of the concept that have been operationally defined, as well as indicate which of the items are most appropriate for each dimension. The Convergent validity can be established using a coefficient called Bentler Bonett coefficient (s). A scale with s values of 0.90 or above is an evidence of strong convergent validity (Bentler and Bonett, 1980).

On the other hand, discriminate validity is established when, based on theory, two variables are predicted to be uncorrelated, and the scores obtained by measuring them are indeed empirically found to be so. Correlation analysis can establish convergent and discriminate validity. It can also be utilised to examine the concurrent and predictive validity (Cavana et al., 2001). In other words, discriminate validity of a measure is the degree to which the measure is not similar to (or diverges from) other measures that it theoretically should not be similar to. Discriminate validity is ensured by showing that a measure does not correlate very highly with other measures from which it is supposed to

differ, i.e. discriminate validity is an illustration of the uniqueness of the scale. Scales are tested for discriminate validity using a chi-square difference test.

2.1.1.1.2 External validity

External validity concerns the issue of determining if it is possible to generalise a study's findings beyond the immediate case study. Critics often state that single cases offer a poor basis for generalisation; therefore, this external validity issue has become a major barrier to conducting case studies. However Yin (2003b) states that "external validity can be high despite that, since case studies rely on analytical generalisations, which should try to generalise findings in theory".

5.3 CHOSEN MULTI-METHODS DESIGN

Establishing a research design is a critical task in any study, since there are various influencing factors associated with this matter. Evidently, research approaches, strategies and data collection methods obviously do not exist in isolation; therefore they can be 'mixed and matched'. Furthermore, it is often beneficial to do so, and it is quite usual for a single study to combine quantitative and qualitative methods and to use primary and secondary data (Saunders et al. 2000).

A multi-methods strategy was adopted in this research, following frequent recommendations from authoritative researchers to use multiple, complementary methods, since each of these methods has advantages and disadvantages (Ott, 1989). Reichers and Schneider (1990) argued that such a step may yield the most valid measure. In addition, Flick (1992) and Luccini (1996) argued that the triangulation data gathering method allows the researcher to obtain a complex picture of the phenomena

being studied, which might otherwise be unavailable if only one method were utilised. In this study, a triangulation method, a combination of survey administration, focus group interview and documentation analysis, was used.

5.3.1 Research Blueprint

As Yin (2003a) stated, “research design is a blueprint of the research”. Thus, research design covers strategic decisions concerning the choice of data collection methods, and more tactical decisions regarding measurement and scaling procedures, questionnaire, samples and data analysis (Zikmund, 2003). Table 5-5 illustrates the design of this study.

Table 5-5: Research Design Overview

Research Purpose	Exploratory + Explanatory		
Research Approach	Triangulation		
	Qualitative + Quantitative		Quantitative
Research Strategy	Case study		Survey
Analysis Unit	Bank		Bank's customer
Models Used	EFQM (Ladder of Excellence)		SERVQUAL
Data Type	Primary	Secondary	Primary
Data Collection Methods	<ul style="list-style-type: none"> • Focus group Interviews • Direct observation 	<ul style="list-style-type: none"> • Documents • Archival record 	<ul style="list-style-type: none"> • Questionnaire
Type of Generated Data	Qualitative & Quantitative	Quantitative	Quantitative

The subsequent sections will discuss in depth the above research design. In fact, due to the various objectives in this study, it was divided into three phases. Each phase will be discussed and described independently.

5.3.2 Research Phase One: Assessing banks using the EFQM model, a case study strategy

Juran (1995) argued that there is a “paucity of systematic and rigorous evaluation in many of the quality studies”. Furthermore, Wilson and Durant (1994) state the need for more theory grounded and contingency based research rather than the research being restricted to deductive approaches. It is suggested that a methodology, which inquires more deeply into TQM-related events within the organisation, is needed. This will enable a coherent and firmly founded set of TQM theories to be elucidated (Leonard and McAdam, 2001). Based on these recommendations; primarily a case study strategy was selected to fulfil this study’s objectives.

The case study strategy included a focus group interviews which aimed to explore how banks are driving excellence internally, and what are the common and distinctive elements of excellence among them. The data gathered from the focus group interviews were completed by several archival records and a number of the internal banks’ documents (e.g. evidence supporting the identified CEFs). Mainly, the case study strategy generated two types of data. First, qualitative data is representing the strengths and weaknesses of each bank against the identified CEFs; second, quantitative data demonstrating the final assessment score obtained by each bank against the nine EFQM criteria.

5.3.2.1 Reliability of the Case Study

An important consideration in case study design is to create designs with construct validity, internal validity, external validity, and reliability (Yin, 2003b). Reliability can be achieved through the use of formal case study protocols and the development of a case study database. These protocols are especially helpful to ensure that the same

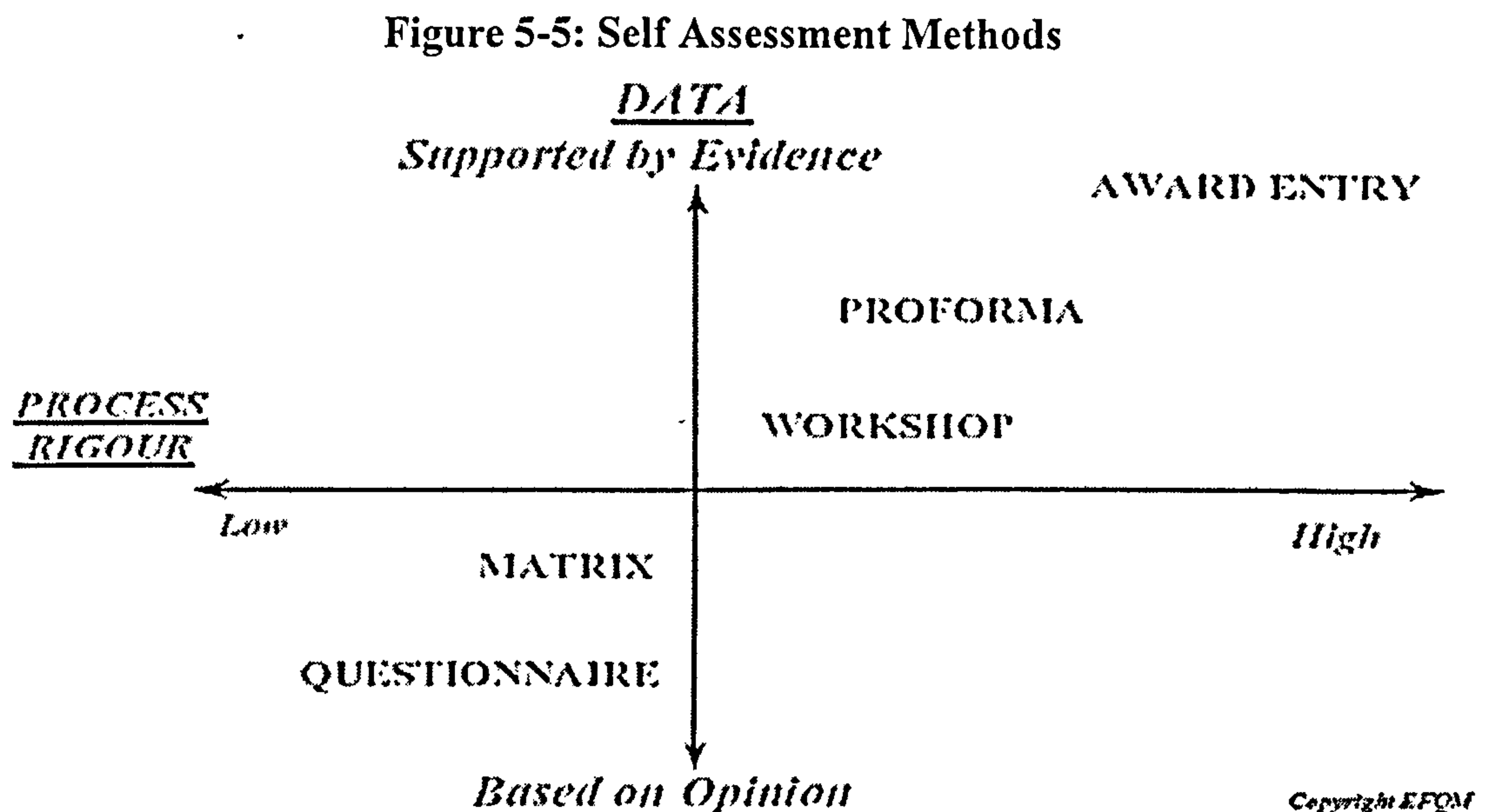
procedures are followed in multiple cases or in a study conducted by multiple investigators. The case study database is a way of differentiating the evidence from the case study manuscript. Consequently, the Ladder of Excellence (appendix -A) was used in this phase as a formal case study protocol, since it offered huge structural support.

In this study, the EFQM excellence model was deployed to generate not only quantitative data but also qualitative. Such an approach is supported by Gummesson (1998), who observed, "There is a need for inductive research that allows reality to tell its own full story without forcing received theory on it". This study therefore sought to add some empirical insights to the theoretical literature on Service Excellence through exploring how well major Saudi banks are driving excellence. Specifically, this phase sought to identify the Critical Excellence Factors applied by participant banks. In this phase the EFQM model (Ladder of Excellence) was employed as a structural diagnostic tool that facilitated achieving this phase's objectives which were:

- To investigate how banks are driving excellence and what are the generic and common elements of excellence
- To determine how good they are in driving Excellence

There are several types and methods of conducting a self-assessment using the EFQM model. It might be through a questionnaire, matrix, workshops, pro-forma, and finally it could be through applying for the Award (EFQM, 1999). Some methods require much more effort than others; the choice of method is therefore also dependent upon the availability of resources within the institute, particularly those relating to commitment,

time, energy, information and finance. Figure (5-5) illustrates the assessment methods in terms of how much they are based on rigour and evidence.



Source: EFQM Publications

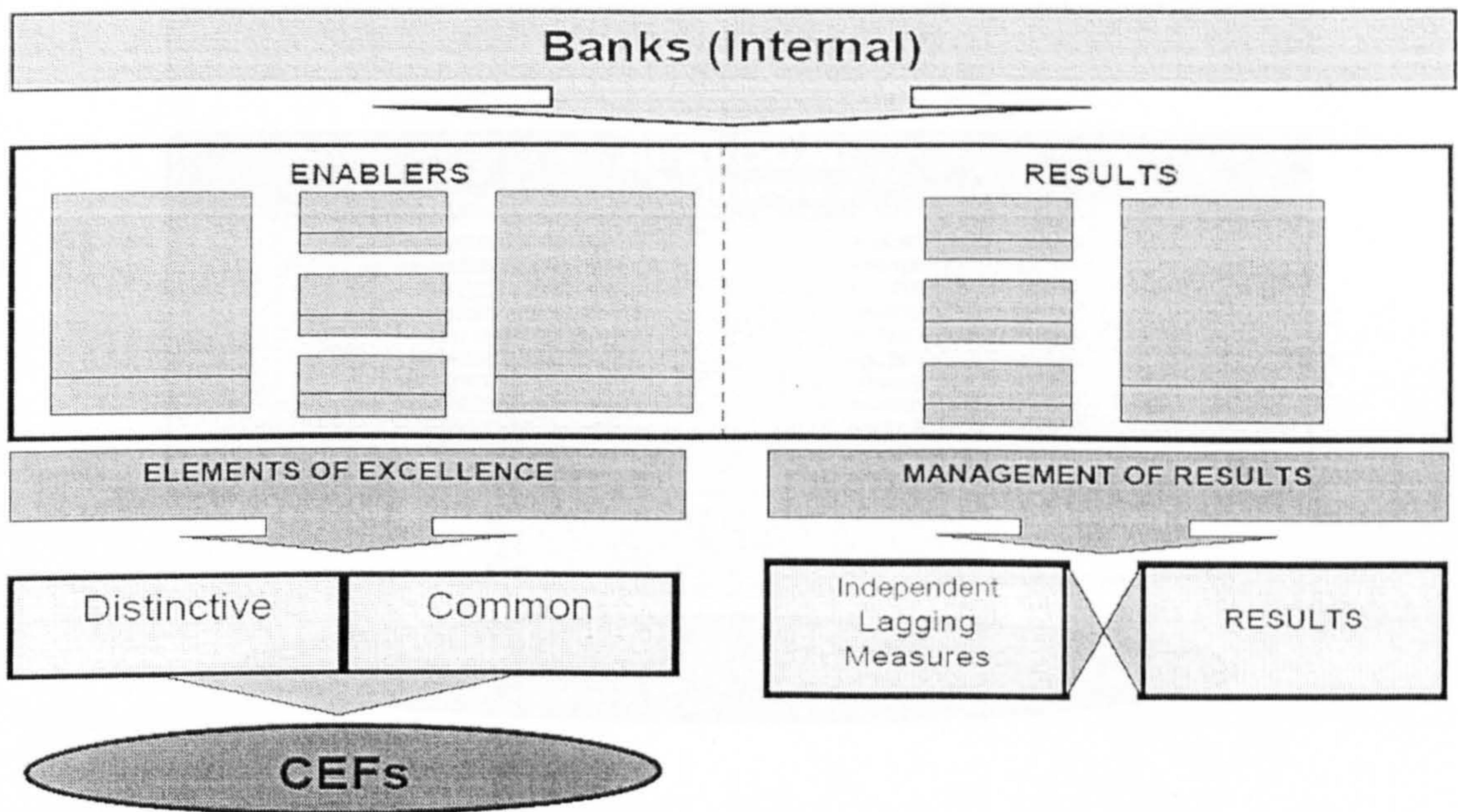
Yin (2003b) confirms that one important application of case study methodology is “when we want to explore situations in which the intervention being evaluated has no clear, single set of outcomes. A second application is to describe an intervention and the real-life context in which it occurred”. Hence, the research assessed banks by the workshop method, which was considered a way of conducting an exploratory and descriptive case study strategy, since it involved focus group, structured interview, direct observation, plus documents and archival analysis. Figure 5-6, illustrates how the EFQM Excellence Model was positioned in this phase.

5.3.2.2 Validity of a Case Study

Construct validity deals with the use of instruments and measures that accurately measure and operationalise the constructs of interest in a study. Because most

instruments and measures are not necessarily as accurate as would be desired, a common strategy is to use multiple measures of the same constructs as part of the same study. Both internal and external validity were touched on in the discussion on the role of theory. Internal validity can be achieved through the specification of the units of analysis, the development of a priori rival theories, and the collection and analysis of data to test these rivals. Similarly, one can achieve external validity through the specification of theoretical relationships, from which generalisations can then be made. A further confirmatory step the researcher provided for the research findings was to match the EFQM assessment scores of the results for each bank, alongside its Key Performances Indicator (KPI) as lagging measures. The overall structure of the first phase is illustrated in the next Figure 5-6.

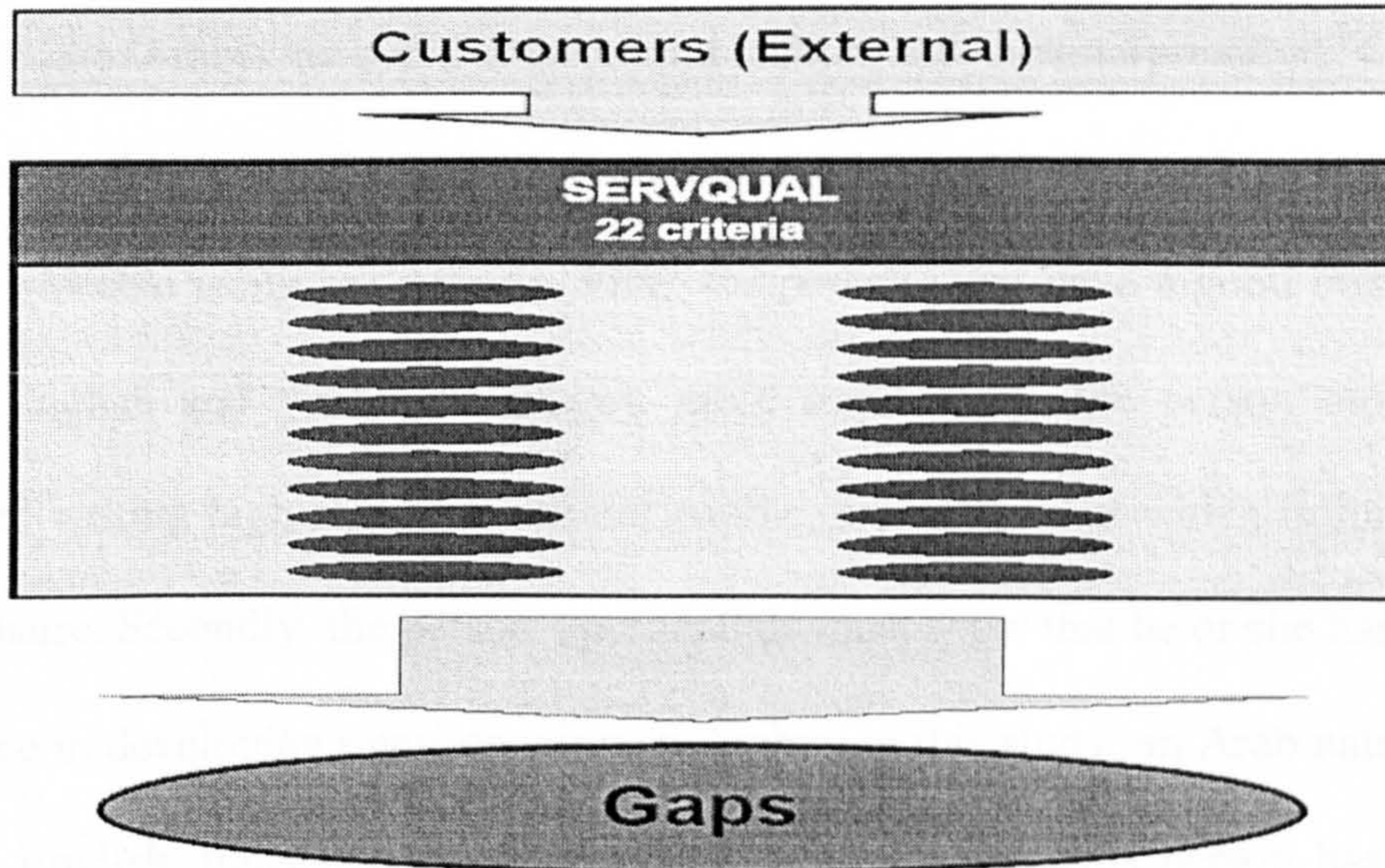
Figure 5-6 : Structure of Phase One



5.3.3 Research Phase Two: Assessing customer perceptions using the SERVQUAL instrument

Phase two was intended to evaluate customers' perceptions externally, in order to investigate the impact of driving excellence internally. A Likert-scale questionnaire survey was conducted to measure customers' perceptions based on the SERVQUAL structure, which is basically a 22-item Likert scale survey that compares customer expectations and perceptions regarding five attributes of service quality (see Figure 5-7). Basically, the instrument was implemented straightforwardly as in many former studies (Angur, Nataraajan et al., 1999; Lassar, Manolis et al., 2000; Arasli, Mehtap-Smadi et al., 2005).

Figure 7: Structure of Phase Two



5.3.3.1 Sample size

Roscoe (1975) offers a rule of thumb for determining sample size, in four points. (1) A sample size larger than 30 and less than 500 is appropriate for most research; (2) where

samples are to be broken into sub-samples (males/ females, juniors/ seniors, etc.), a minimum sample size of 30 for each category is necessary; (3) in multivariate research (including multiple regression analyses), the sample size should be several times (preferably 10 times or more) as large as the number of variables in the study; (4) for sample experimental research with tight experimental controls, successful research is possible with samples as small as 10 to 20 in size. Based on the above recommendation, the researcher distributed 200 copies of the questionnaire for each bank's customers, a total of 1000 copies for all banks.

5.3.3.2 Translation to Arabic

The SERVQUAL questionnaire was developed originally in English. Since English is not the first language in Saudi, it was recognised that some of the respondents would not be familiar with the original questionnaire language. Thus, the questionnaire was translated into Arabic to avoid miscommunication and misinterpretation. Choosing a person to translate a questionnaire was an important issue. In this study, a translator was carefully selected using two criteria. First, the person must have a good understanding of both English and Arabic languages; more importantly, the person must also be capable of writing high-standard, official Arabic, especially that which is suitable for a questionnaire. Secondly, the person's credentials must show that he or she has extensive experience in developing questionnaires in Arabic. In this study, an Arab native, who is fluent in English, translated the questionnaire into Arabic. This person has had more than 5 years of experience in conducting both management and academic research in Arabic. The final version of the questionnaire and its translated version are presented as (appendix -B).

5.3.3.3 Questionnaire Reliability

Reliability is normally seen as the degree of consistency of a measure. Moser and Kalton (2001) stated, "A scale or test is reliable to the extent that repeat measurements made by it under constant conditions will give the same result" (p. 353). In other words, the measuring procedure should yield consistent results on repeated tests, hence, the greater the degree of consistency and stability in an instrument, the greater is its reliability. The various procedures of determining the reliability can be divided into two groups, external and internal reliability. External consistency procedures compare cumulative test results with each other as a means of verifying the reliability of the measure. The internal consistency of a set of measurement items refers to the degree to which items in the set are homogeneous (Samson and Terziovski, 1999).

The most popular test of inter-item consistency reliability is the Cronbach's coefficient alpha (α) (Cronbach, 1984), the value of α ranges from (0 to 1). The nearer the value of α to 1, the better the reliability is. If the value is low, either there are too few items or there is very little commonality among the items. For the early stages of any research, Hair et al. (1998) suggests that a coefficient of 0.7 or above is desirable. The internal consistency of the five dimensions in the questionnaire was computed using the SPSS v 11.0 for windows (SPSS, 2001) reliability test program. The findings are represented in chapter six.

5.3.3.4 Questionnaire Validity

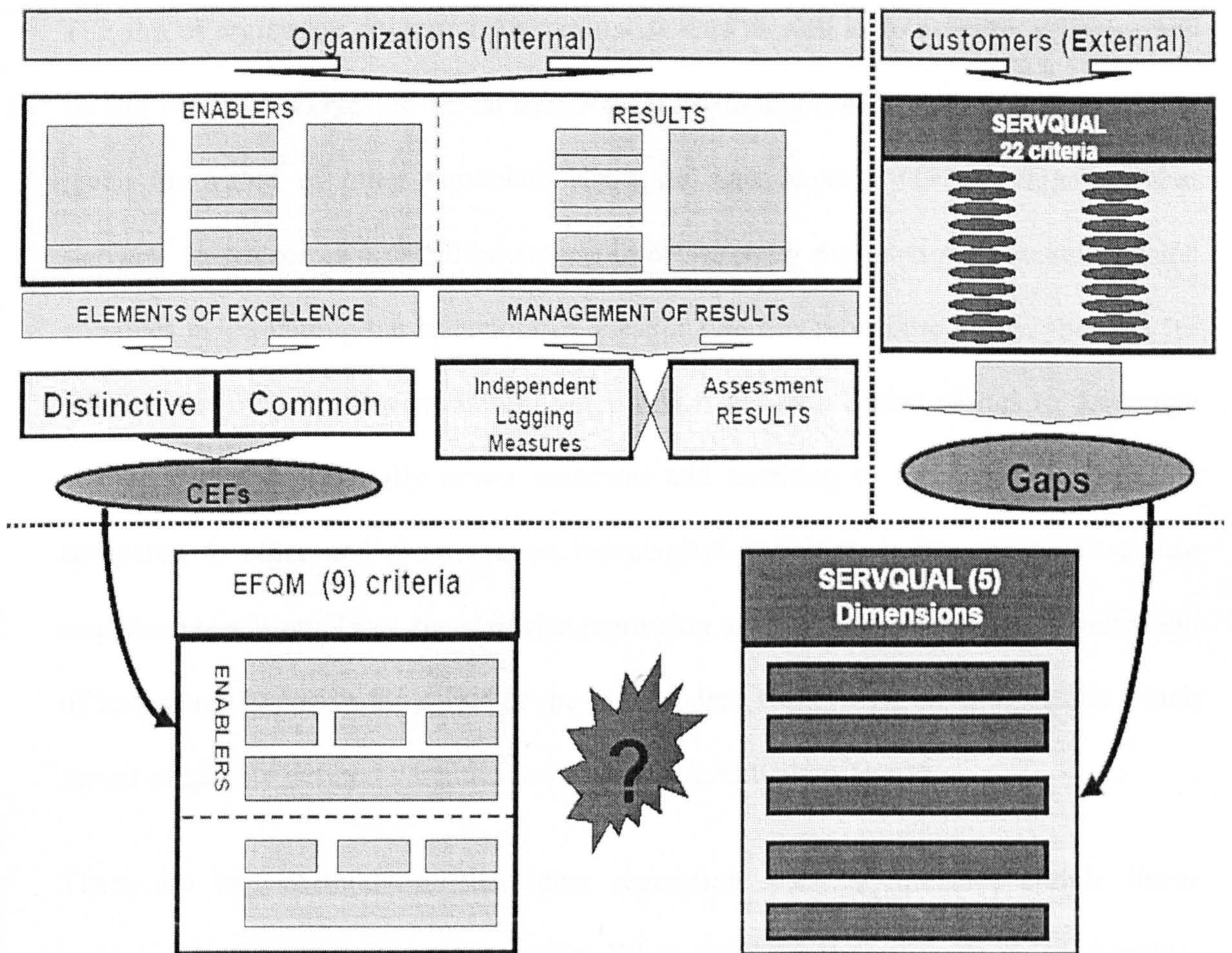
The appropriateness of measures is established through the different kinds of validity and reliability. "Validity is defined as the degree to which the researcher has measured what he has set out to measure" (Smith, 1991, p. 106). Babbie (1990) writes, "Validity

refers to the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration” (p. 133). Kumar (1996) defines validity as “the ability of an instrument to measure what it is designed to measure (p. 137).” In other words, validity is defined as the accuracy of measurement. There are three kinds of validity assessment that are applicable to this study, face validity, content validity, and criterion-related validity.

5.3.4 Research Phase Three: Investigation of Relationships

According to Robson (1993) “the purpose of an enquiry may change over time that means a study may include more than one purpose”. This phase was intended, unlike the previous ones, to look into the causality effects, as the fundamental research concern was with establishing causal connections between the independent variables and dependent variables, rather than mere relationships between them, in order to test the third hypotheses. The independent variables are those which have a causal impact on the dependent variables (Bryman, 1992). The dependent variable is normally the construct of primary interest to the researcher (Nachmias and Nachmias, 1996), or the variables which the researcher wishes to explain (Cooper and Schindler, 1998). The independent variables identified for this research were the banking related CEFs, and the dependent variable was the customers’ perception of service quality. Figure 5-8 illustrates the structure of phase 3, and it indicates how critical output data from the previous phases fed into this phase.

Figure 5-8: Structure of Phase Three



In this study, Correlation and multiple regression were utilised to examine the suggested causality structure. The following two subsections aim to give more insight into these two analysis methods.

5.3.4.1 Correlation Analysis

Pearson’s product-moment correlation analysis was performed before regression analysis, in order to examine the construct validity, to reveal the correlation between the independent and dependent variables, and to check for the presence of multicollinearity, which exists when the inter-correlation between independent variables exceeds 0.8 (Berry and Feldmann, 1985).

5.3.4.2 Regression Analysis

The aim of regression analysis is to summarise data as well as to quantify relationships among variables, expressed via an equation for predicting typical values of one variable given the value of other variables. Hanushek and Jackson (1977) suggested that stepwise regression is a useful procedure in determining the most significantly related variables in explaining the behaviour in question and this procedure allows the data "to tell the best model". Stevens (2001) noted that if an investigator wishes to determine whether some conceptually newer measures add anything to the dependent variable compared to older and more proven independent variables, it is appropriate to use stepwise regression. Thus, the stepwise regression analysis not only gives an indication of how comprehensive the effect of the independent variable is, but also details which aspect of grossly defined variables have been differentially affected.

There are two methods of the linear regression analysis, namely, simple linear regression and multiple linear regression. When there is only one independent variable, the simple linear regression analysis would be selected; when, there are more than two independent variables, the multiple linear regression would be employed. In the present study, there were nine independent variables. Thus, the multiple linear regression method was utilised to analyse the collected data. SPSS can estimate the coefficient for multiple linear regression with more than two independent variables and list all of the possible regression models. SPSS provides three methods for controlling the entry or removal of independent variables from the regression model.

In this study the relationships between the different variables were examined by stepwise regression analysis of SPSS 11.0 version. The variables with the absolute t value ≥ 2 were included in the regression equation.

5.3.5 Selection of respondents

Selecting the right respondents is a complicated task, the following few paragraphs illustrate the process adopted by the researcher during his investigation.

5.3.5.1 Case Study

Primarily, the five banks that participated in this study under the case study strategy, were selected mainly based on their relative proximity and willingness to participate, rather than being selected on a random or structured basis, these banks' namely: the Saudi Hollandi Bank, Saudi British Bank (Saab), SAMBA Financial Group, Riyadh Bank, and Al-Rajhi Bank.

Particularly, employee selection process while forming the focus group was carefully considered, so the focus group can represent the bank efficiently. To ensure that the research developed a set of conditions those were almost met in the focus group. For example, only senior manager and above are allowed to participate in this event so a deeper discussion can be achieved. Furthermore, each group should have at least one participant from each major group (i.e. operation, marketing, finance) so a wider picture about the bank can be obtained.

5.3.5.2 Questionnaire

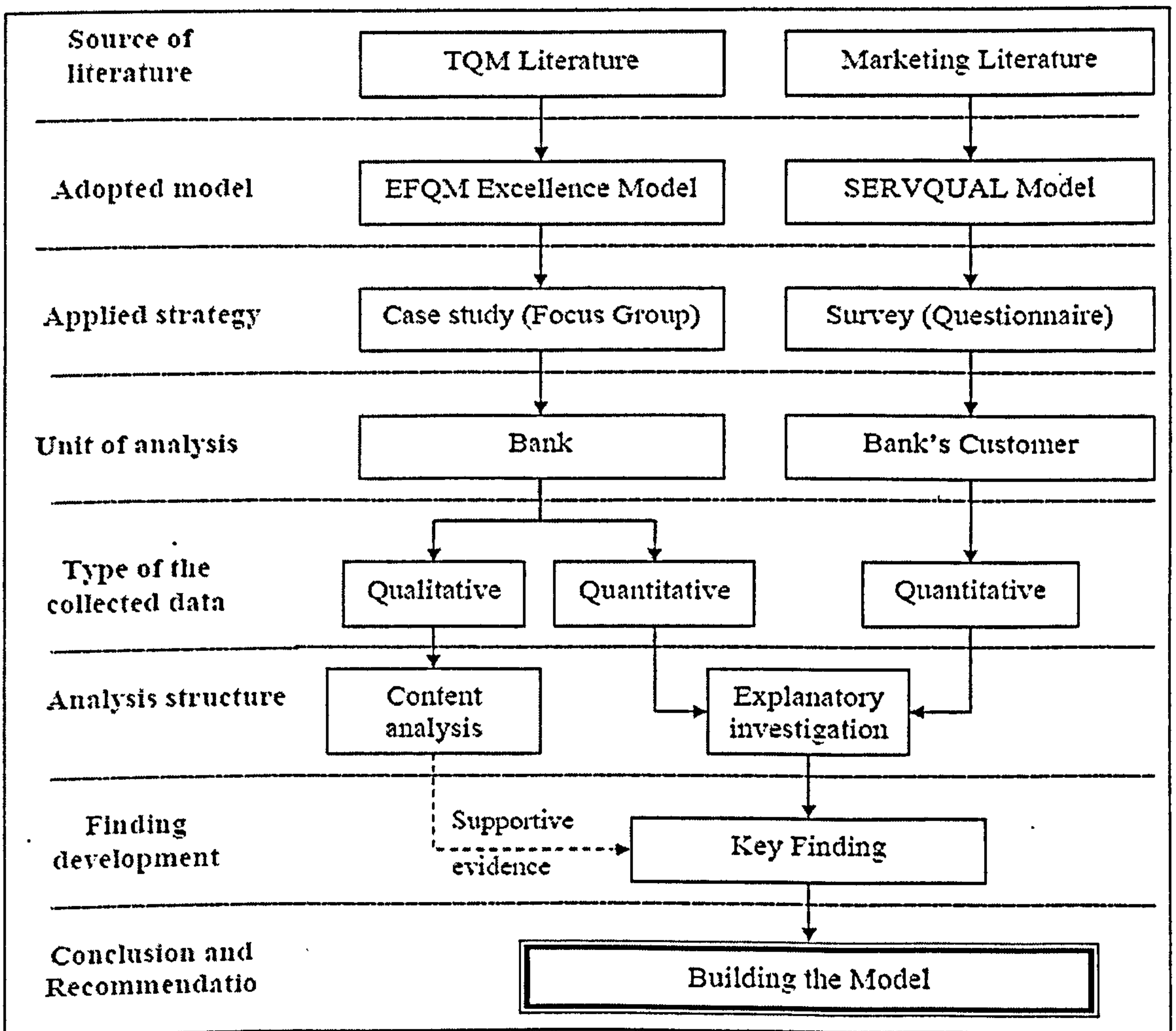
On the other hand, participated customers were selected in a less complicated manner. The researcher distributed some questionnaires by himself. However, very soon the

research realised that by this method he won't achieve a reasonable number of completed questionnaires. Therefore, he decided to ask the support from several branch managers to facilitate the distribution and collection of these questionnaires.

5.4 RESEARCH PLAN

As illustrated earlier this study represents exploratory and explanatory research that intends to improve existing theories and practice of driving excellence in banking from an integrated perspective. Figure 5-9 shows the research plan adopted in the entire process of this study.

Figure 5-9: Research Plan



5.5 SUMMARY

This chapter firstly discussed the various methodological concepts. Secondly, a triangulation method to collect data was selected. The questionnaire administration was discussed, including the development of a self-assessment questionnaire, and the validity and reliability of questionnaire. The sampling strategy, correlation and multiple regression analysis were addressed. Subsequently, the chapter described a qualitative approach, and outlined the usage of focus group interviews. Finally, documentation analysis from secondary data sources relating to the final performance. The next chapter will address the results of questionnaires, focus group interviews and documentation analysis.

CHAPTER SIX:
QUANTITATIVE ANALYSIS AND TESTING
HYPOTHESES

6.1 INTRODUCTION

This chapter contains an analysis of the five banks' assessment scores, customers' survey, and collected lagging performance figures. First, the chapter depicts the results of SERVQUAL questionnaire administration, including a demographic profile of participants, and the verification of the validity and reliability of the research instrument. Second, this chapter reports the analysis of the quantitative (EFQM) data generated by the applied case study strategy (i.e. the assessment of the five participating banks) with descriptive results of the focus group interviews were outlined. Further, benchmarking exercise for all banks scores is carried out. Third, the analysis of the lagging measure of all participating banks are analysed to determine each bank's position.

The data collected are analysed using the SPSS package, along with standard statistical analysis techniques: Factor analysis, Pearson correlation, and Regression analysis. The theories of the main statistical analysis procedures used in this research were introduced in Chapter Five. The following sections describe the results of each analysis in detail, and the final result is presented. Finally, the research hypotheses are tested.

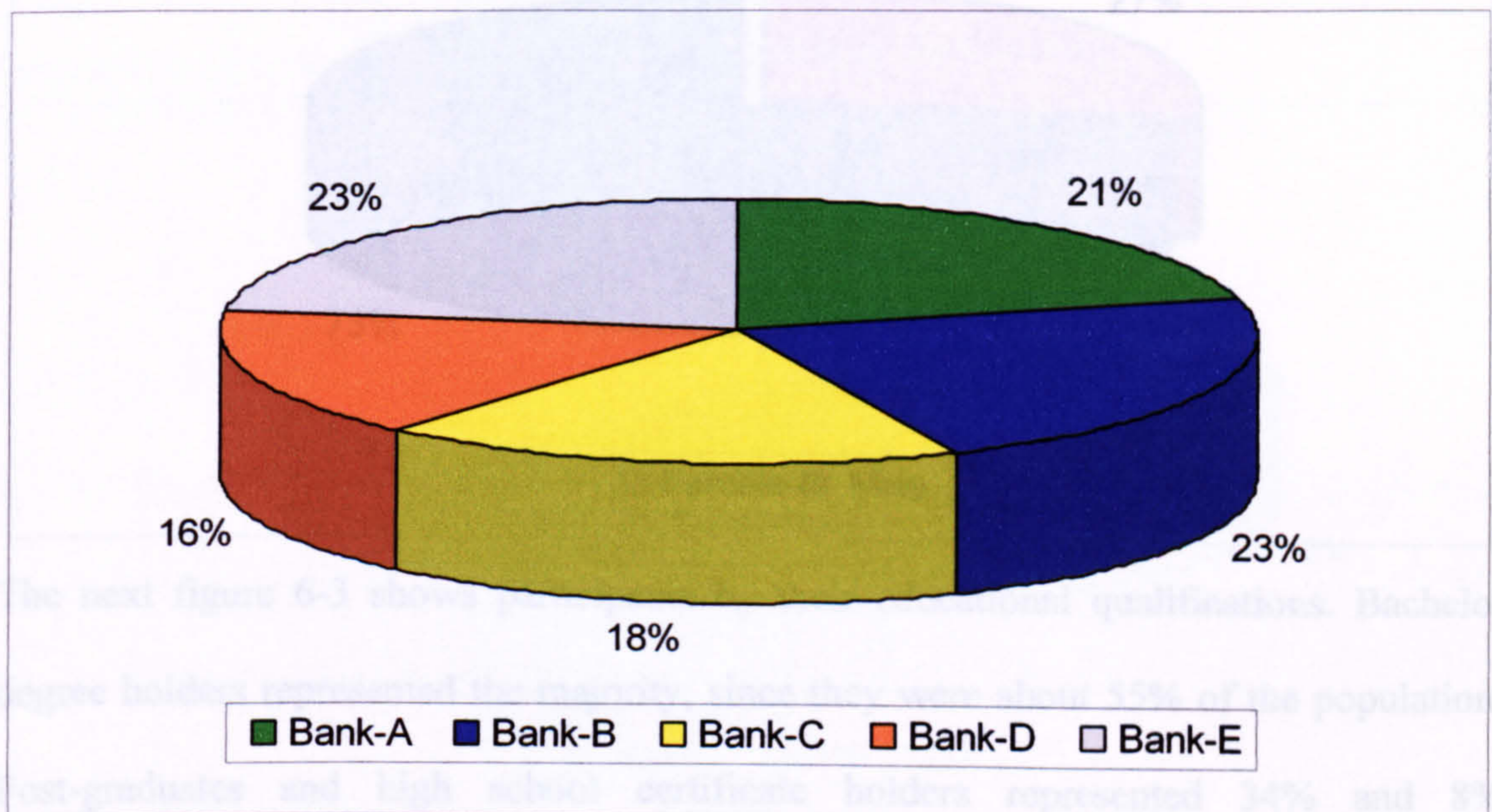
The following chapter analyses of the qualitative data generated by the case study strategy. Interpretation and discussion of the implications of both sets of data will be dealt with in Chapter Eight.

6.2 SERVQUAL QUESTIONNAIRE ANALYSIS

The questionnaire consisted of three parts. The first part consisted of the respondent's profile. The second measured the respondents' expectations when dealing with an excellent bank. Finally, the third part measures the respondents' perceptions about the SQ of their bank.

A total of one thousand questionnaires were equally distributed, 200 for each bank's customers, through a systematic sampling method to ensure that only participating banks' customers were reached. Of the 1000 circulated questionnaires, 613 (61.3%) were collected. Only 31 questionnaires were not completed. Hence, the valid sample was 582 (58.2%). Figure 6-1 illustrates every bank's share of those valid questionnaires.

Figure 6-1: Banks' Shares of Completed Questionnaires



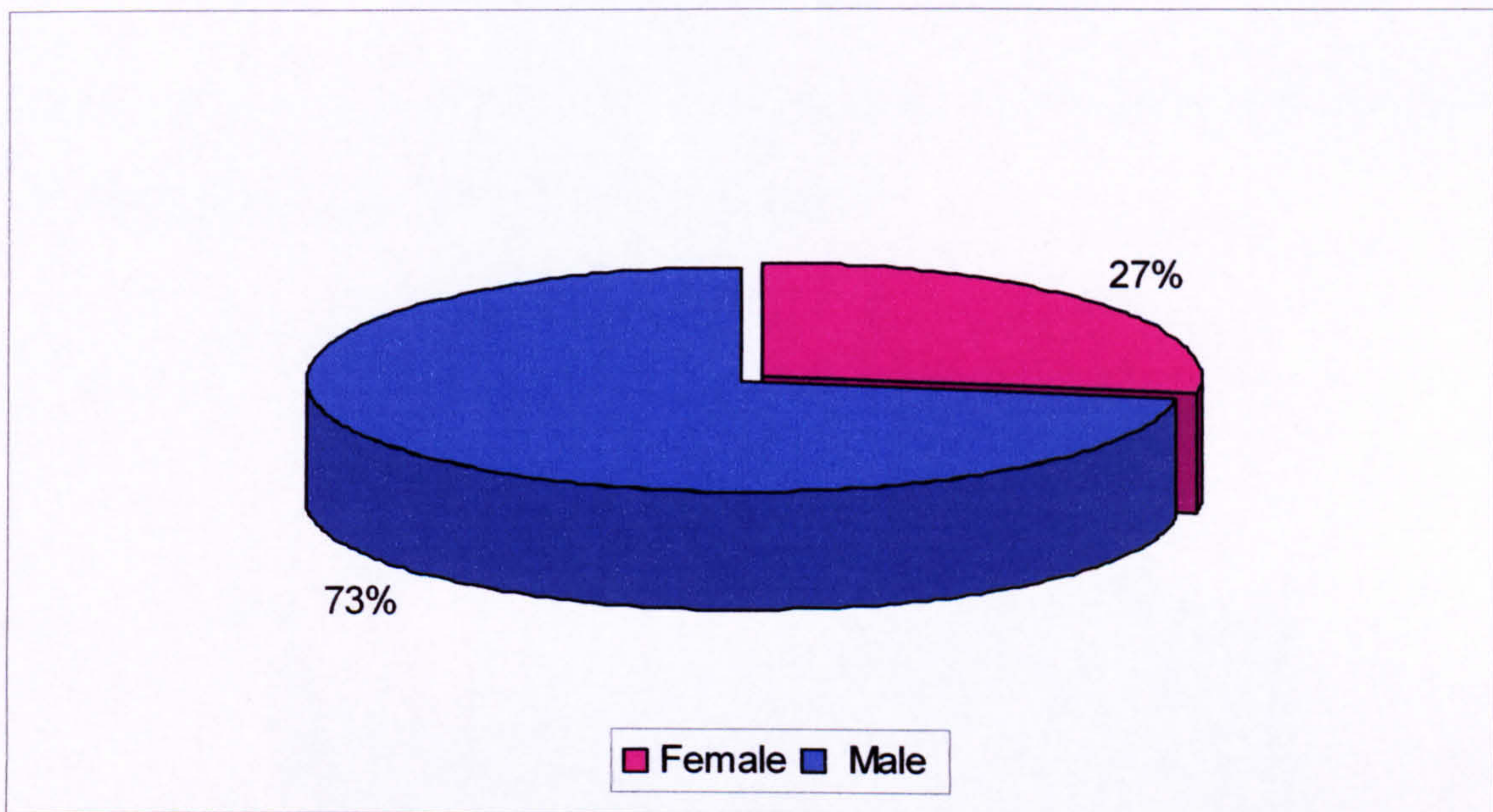
The above figure demonstrates similar level of response in each bank, with each accounting for from 16% to 23% of the final total. Data from the two parts of the questionnaires (Part A: Customer's Expectation, and B: Customer's perception) were entered into the Statistical Package for the Social Science, SPSS version 11.0, and MS-

Excel 2003 for analysis purposes. The following section will present respondents' demographic information, in terms of gender, level of education, nationality, profession, monthly income, and channels by which they communicated with their bank.

6.2.1 Profile of Participants

The next figure 6-2 shows the distinction of participants by their gender. Male represented 73%, a total of 424 male participants, while females represented 158, 27% of the total population.

Figure 6-2 : Respondents' distribution by gender



The next figure 6-3 shows participants by their educational qualifications. Bachelor degree holders represented the majority, since they were about 55% of the population. Post-graduates and high school certificate holders represented 34% and 8% respectively. Only 4% the participants had a lower qualification are representing only

Figure 6-3 : Participants by Educational Qualification

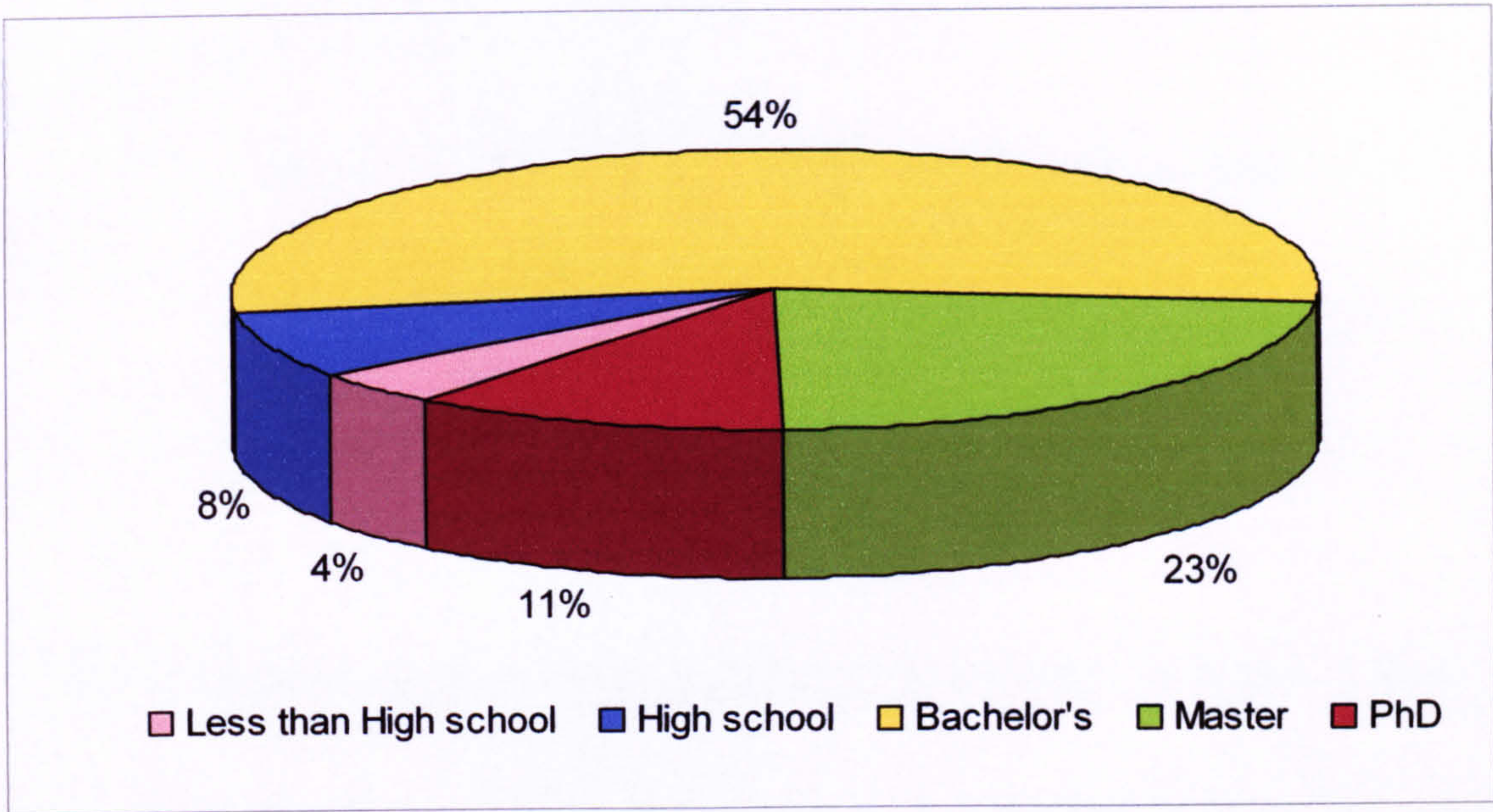
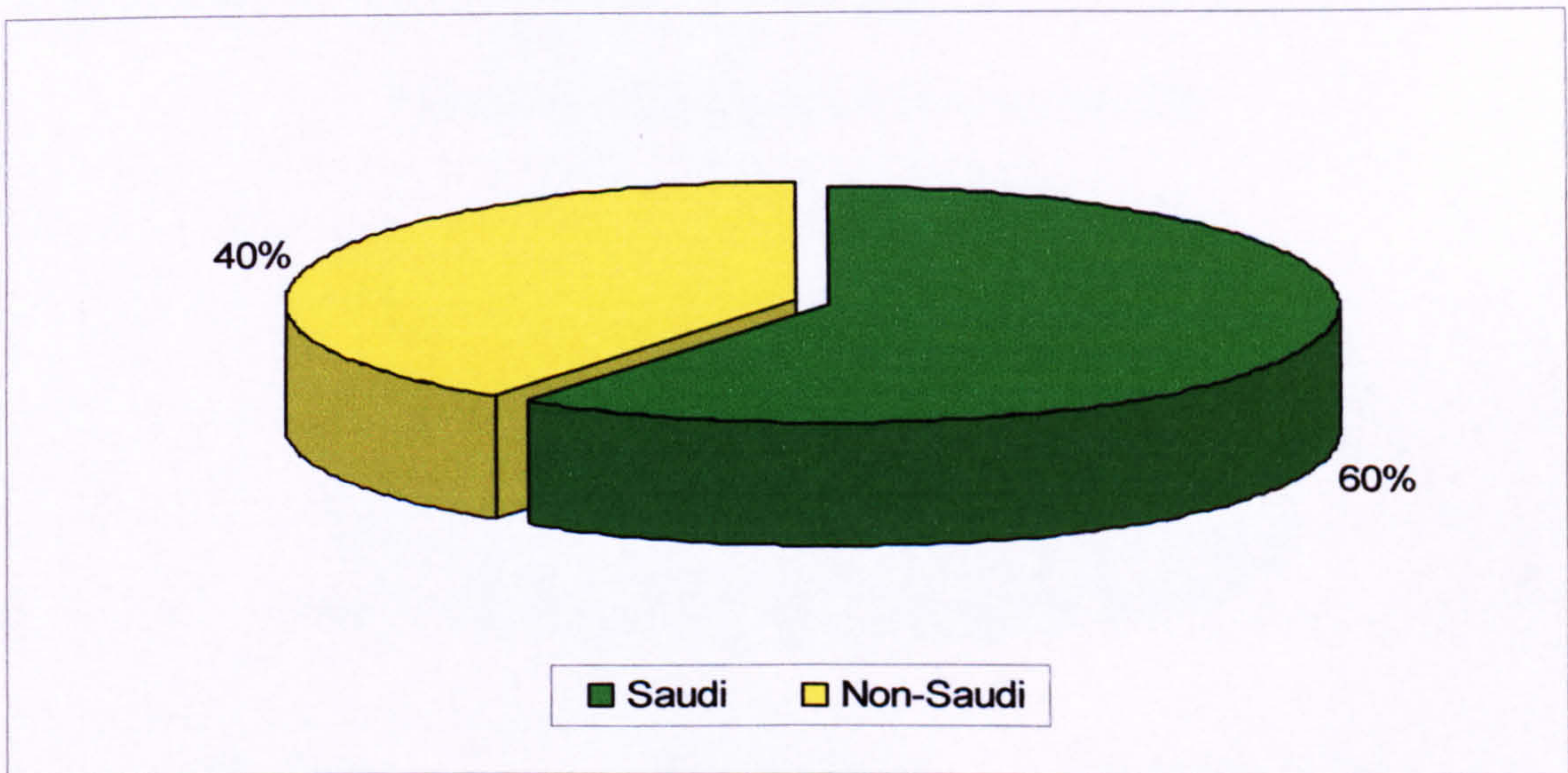
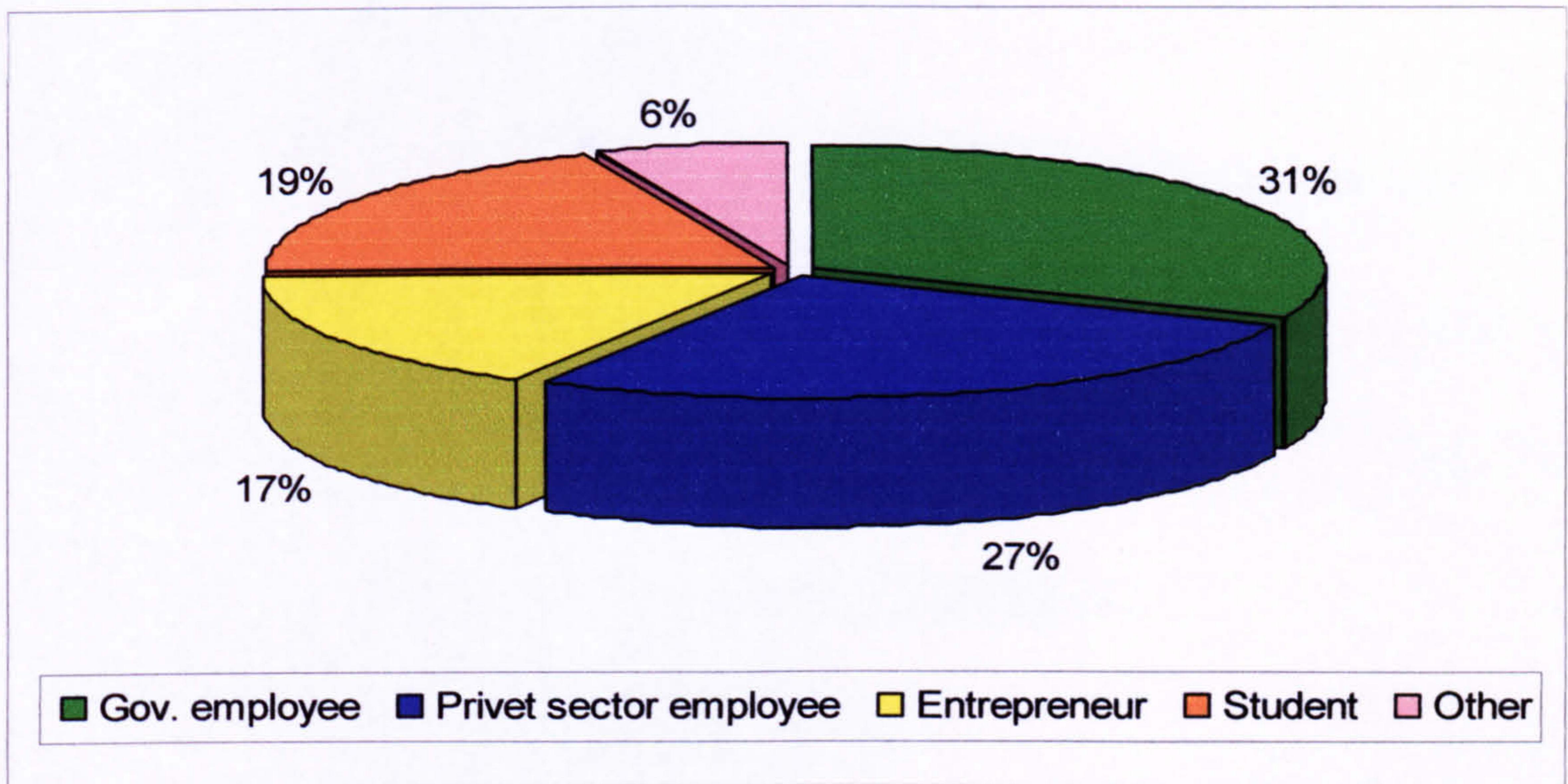


Figure 6-4 exhibits contributors by their nationality. Saudis represented 60%, while Non-Saudis represented 40% of the total population.

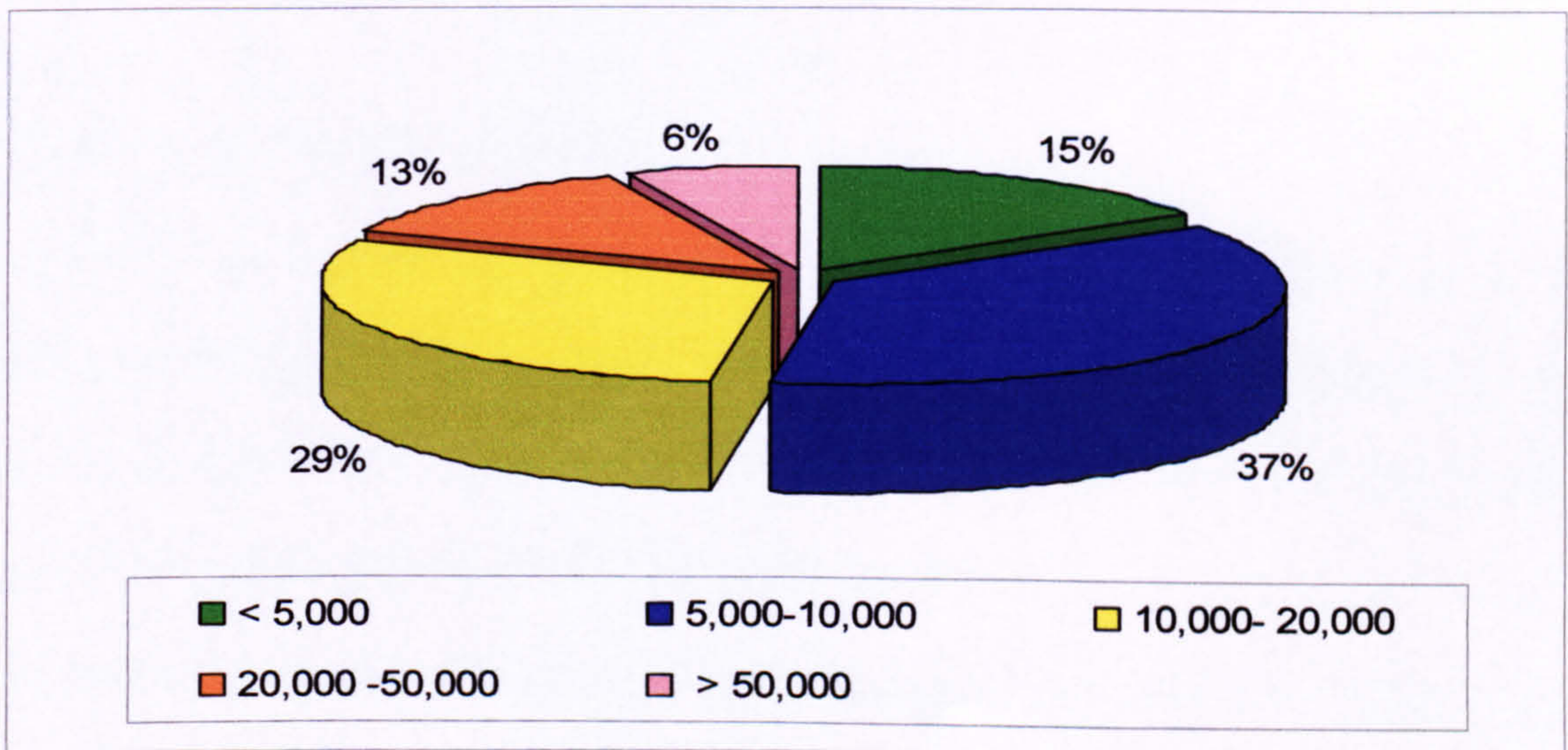
Figure 6-4: Participants by Nationality



Regarding participant's by their occupation. Figure 6-5 illustrates that the majority of participants were either Government employees or private-sector employees; representing correspondingly 31% and 27% of the total sample. Entrepreneurs came next representing 17%. Students and other are represented 19% and 6% respectively.

Figure 6-5: Participants by Profession

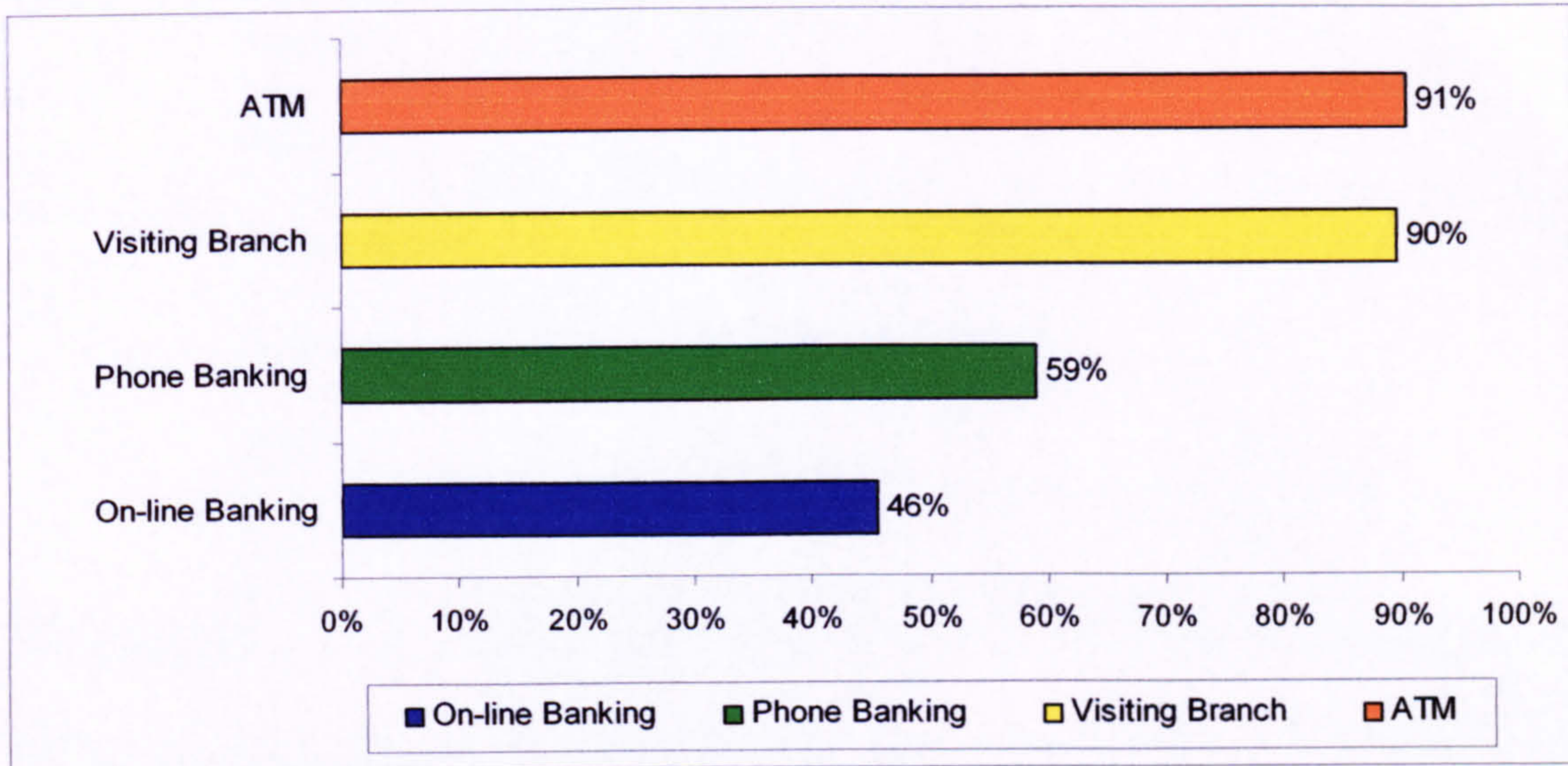
The next Figure 6-6 demonstrates participants by their monthly income. The second group (i.e. from SR 5,000-1,000) is considered as the average group. Accordingly, only 15% of the participants had below average income, whilst 37% were within this group and around 48% were above the population average.

Figure 6-6: Participants by Income (in SR)

The last personal data collected about participants concerned the channels they used to communicate and deal with their banks. Figure 6-7 illustrates the leading position

maintained by the two traditional channels (i.e. branch visit and ATM) since they were ticked by more than 90% of the sample.

Figure 6-7: Methods of Communication Between Customers and Bank



Telephone banking was revealed to be the next preferred channel, since about 60% of the population marked it. Internet banking was used by 46% of the sample.

6.2.2 SERVQUAL Reliability

Reliability refers to the instruments' ability to demonstrate overall consistency as well as internal consistency among items within each of the five theorized dimension. The alpha coefficient is a measure for assessing the internal consistency of both survey parts (Expectations and Perceptions items) for each dimension.

The reliability of all five dimensions was examined for each item individually (total of 22 items) using reliability test program of SPSS. Findings on table 6-1 revealed that the used instruments formed a cohesive scale; the test findings are demonstrated.

Table 6-1: SERVQUAL scale reliability analysis

SQ Dimension	Number of items	Reliability Coefficients (Alphas)	
		Expected SQ	Perceived SQ
Tangible	4	.932	.911
Reliability	5	.750	.723
Responsiveness	4	.668	.738
Assurance	4	.870	.859
Empathy	5	.736	.776
Total Scale Reliability	22	.918	.927

The Cronbach's alpha reliability coefficients for the five SERVQUAL dimensions are similar across previous studies (e.g. Carman, 1990; Finn and Lamb, 1991; Babakus and Boller, 1992; Babakus and Mangold, 1992; Headley and Miller, 1993; Taylor and Cronin, 1994) The lowest reliability is 0.59 reported by Finn and Lamb (1991) and the highest reliability is 0.97 reported by Babakus and Mangold (1992).

Regarding the expectation items, the reliability coefficient for each of the five dimensions ranged from .668 to .932. The Tangible dimension achieved the highest alpha (.932), followed by Assurance (.870), Reliability (.750), Empathy (.736) and Responsiveness (.668). The reliability coefficient for each of the five dimensions for the perception items ranged from .911 to .723. Tangibles again scored the highest alpha (.911), followed by Assurance (.859), Empathy, (.776) Responsiveness (.738) and Reliability (.723). Thus, the gathered data are considered to be reliable, since its reported coefficient figures fall within the range of .93 to .53 that has been reported in the service quality literature. Moreover, all items received very high alpha scores, ranging from

0.668 to 0.932, and were well above the generally accepted lower limit of 0.7 (Hair *et al.*, 1995).

6.2.3 Questionnaire Validity

The following two subsections illustrate how the used SERVQUAL questionnaire was proven to be a valid instrument, using three different methods: face and content validity, and construct (convergent) validity.

6.2.3.1 Face and content validity

Face validity is the mere appearance that a measure is valid (Kaplan and Sacuzzo, 2005). In other words, face validity is a subjective criterion which reflects the extent to which scale items are meaningful and appear to represent the construct being measured (Parasuraman *et al.* 1991). Content validity is the degree to which the instrument provides an adequate representation of the conceptual domain that it is designed to cover. Apart from face validity, content validity is the only type of validity for which the evidence is subjective and logical rather than statistical (Kaplan and Sacuzzo, 2005). Content validity refers to the degree which an instrument covers the meaning of the concepts included in a particular research (Babbie, 1992).

For this study, the content validity of the proposed instrument was adequate, because the instrument had been carefully constructed, validated and refined by PZB supported by an extensive literature review. Moreover, the questionnaire were passed by researcher to six specialists in this area, who were requested to review the questionnaire and determine the suitability and difficulty of the questions. The final questionnaire version then followed their comments and suggestions. Additionally, considering the advice of Nunnally (1978) that any pre-test must be carried out on a similar group, the researcher completed a pilot-study by distributing the questionnaire to a similar target

audience. 30 people were asked if the completion of the questionnaire created any difficulties. All respondents replied that they faced no problems in completing the questionnaires. Hence the instrument can be considered to have face and content validity.

6.2.3.2 Factor rotation and factor loading

On being satisfied with the five chosen dimensions, the loading of all the items within the five dimensions was examined. The Varimax technique for rotated component analysis was used with a cut-off point for interpretation of the factors at 0.50 or greater. The results are summarised in Table 6-2 on the next page.

Table 6-2: Rotated Component Matrix

Items	Component				
	Tangible	Reliability	Responsiveness	Assurance	Empathy
1. Excellent banks will have modern looking equipment.	.753				
2. The physical facilities at excellent banks will be visually appealing.	.783				
3. Employees at excellent banks will be neat appearing.	.801				
4. Materials associated with the service (monthly account statement) will be visually appealing at excellent banks.	.652				
5. When excellent banks promise to do something by a certain time, they do.		.532			
6. When a customer has a problem, excellent banks will show a sincere interest in solving it.		.542			
7. Excellent banks will perform the service right the first time.		.540			
8. Excellent banks will provide the service at the time they promise to do so.		.535			
9. Excellent banks will insist on error free records.		.584			
10. Employees of excellent banks will tell customers exactly when services will be performed.			.613		
11. Employees of excellent banks will give prompt service to customers.			.620		
12. Employees of excellent banks will always be willing to help customers.			.632		
13. Employees of excellent banks will never be too busy to respond to customers' requests.			.626		
14. The behaviour of employees in excellent banks will instil confidence in customers.				.590	
15. Customers of excellent banks will feel safe in transactions.				.728	
16. Employees of excellent banks will be consistently courteous with customers.				.732	
17. Employees of excellent banks will have the knowledge to answer customers' questions.				.733	
18. Excellent banks will give customers individual attention.					.582
19. Excellent banks will have operating hours convenient to all their customers.					.732
20. Excellent banks will have employees who give customers personal attention.					.722
21. Excellent banks will have their customer's best interests at heart.					.637
22. The employees of excellent banks will understand the specific needs of their customers.					.636

All items were loaded onto the expected dimension for which they were designed.

Factor loadings were all higher than 0.5 so that each item loaded higher on its associated construct than on any other construct. As suggested by Hair et al. (1998), a factor loading higher than 0.35 is considered statistically significant at an alpha level of 0.05.

This supports the discriminate validity of the measurement.

6.2.4 Identifying Gaps of Service Quality

As revealed earlier, the SERVQUAL method was used to identify quality gaps by calculating difference in expectation and perception scores between the 22 statements. A negative score indicated the existence of a service quality gap, where the customers were not having their expectations met by their banks. The following subsections will demonstrate the analysis of the gathered data.

6.2.4.1 Dimension 1: Tangibles

Tangibles are about the appearance of physical facilities, equipment, personnel, and communication materials. Table 6-3 demonstrates to what extent participating banks do successfully met expectations about their tangibles. Calculating the mean for this dimension revealed that bank B and A exceeded customer expectations in this criterion. Conversely, banks C, D, and E did not meet their customers' expectations. However bank D was very close to its customers' expectation.

Table 6-3: Banks' Gap Scores on Tangibles

	Bank-A	Bank-B	Bank-C	Bank-D	Bank-E	
Tangibles	Q1	0.4	0	-1.5	0.3	-2
	Q2	0.7	0.5	-1.9	-0.4	-3
	Q3	-0.16	-0.3	-1.9	-0.6	-1.4
	Q4	0.3	-0.1	-1.6	-1	-1.9
	Mean	1.24	0.1	-6.9	-1.7	-8.3

6.2.4.2 Dimension 2: Reliability

Reliability means the ability to perform the promised service dependably and accurately. Table 6-4 indicates that all participating banks fell below their customers' expectations. Reliability seems to be the greatest gap identified by banks' customers (as will be explained later). However, banks D, and A had lower gap scores, ranging from -5 to -7, while the rest had scores in excess of -10.

Table 6-4: Banks' Gap Scores on Reliability

	Bank-A	Bank-B	Bank-C	Bank-D	Bank-E	
Reliability	Q5	-1.6	-1.9	-2.84	-0.8	-3.9
	Q6	-1.3	-1.7	-3.68	-0.7	-4.25
	Q7	-0.16	0.1	-0.9	0.6	-1.55
	Q8	-1	-2.3	-3.7	-2.7	-4.7
	Q9	-2.7	-4.1	-2.6	-1.5	-3.9
Mean	-6.76	-9.9	-13.72	-5.1	-18.3	

6.2.4.3 Dimension 3: Responsiveness

Responsiveness is about the willingness to help customers and provide prompt service. Only bank A reported a positive gap on this dimension. In contrast, all other banks were below their customers' expectation. However, bank B was not so far from its customers' expectations, with a negative gap of -1.1 only, as illustrated in Table 6-5.

Table 6-5: Banks' Gap Scores on Responsiveness

	Bank-A	Bank-B	Bank-C	Bank-D	Bank-E	
Responsiveness	Q10	0.4	1	-0.4	-0.8	-1
	Q11	-0.3	1	-1.8	-0.7	-3
	Q12	0.5	-1	-2.9	-3.4	-2.4
	Q13	0.3	-2.1	-1.6	-3.5	-2.9
Mean	0.9	-1.1	-6.7	-8.4	-9.3	

6.2.4.4 Dimension 4: Assurance

Assurance is about the knowledge and courtesy of staff and their ability to convey trust and confidence. Bank A, B and D had the smallest gaps regarding assurance only - 0.1, - 2.2, and -3.2. In contrast, banks C and E had relatively large negative gaps on this dimension, -9.2, and -14.8 respectively as illustrated in Table 6-6.

Table 6-6: Banks' Gap Scores on Assurance

		Bank-A	Bank-B	Bank-C	Bank-D	Bank-E
Assurance	Q14	-0.6	-1	-2.4	-0.8	-4
	Q15	0	-0.9	-3.8	0	-5
	Q16	0.3	0.2	-1.9	-1.4	-2.4
	Q17	0.2	-0.5	-1.1	-1	-3.4
	Mean	-0.1	-2.2	-9.2	-3.2	-14.8

6.2.4.5 Dimension 5: Empathy

Empathy means caring and individualised attention to the customer. Table 6-7 illustrates that banks A, D, and B reported the smallest negative gaps, -1.4, -3.3 and -4 respectively. Banks C, and E were far way a from their customers' expectations -6.9, and -11.3 respectively.

Table 6-7: Banks' Gap Scores on Empathy

		Bank-A	Bank-B	Bank-C	Bank-D	Bank-E
Empathy	Q18	0.4	-1.5	-1.4	0.2	-2
	Q19	-3	-2	-2	-3	-4
	Q20	1.4	0	-1.9	-1	-1.4
	Q21	-0.5	0	-1	0	-2
	Q22	0.3	-0.5	-0.6	0.5	-1.9
	Mean	-1.4	-4	-6.9	-3.3	-11.3

6.2.5 Aggregate SQ Gaps of Participant Banks

The previous subsections sought to represent the position of each participating bank regarding each dimension. However, it is vital to draw the overall picture of all banks as one bulk, in order to achieve the main objectives of this study.

6.2.5.1 Aggregate gap size by dimensions

As illustrated in Table 6-8, participant banks' overall gap scores were negative on all five dimensions. In particular, the table shows a relatively large negative gap on the reliability dimension (-10.75). Other dimensions, i.e. Tangibles, Responsiveness,

Assurance, and Empathy, had lower negative gap scores -3.11, -4.92, -5.9, and -4.68 respectively.

Table 6-8 : Overall SQ. gaps' size for each dimension

	Tangibles	Reliability	Responsiveness	Assurance	Empathy
Mean for all five bank	-3.11	-10.75	-4.92	-5.9	-4.68

6.2.5.2 Aggregate gap size for each bank

The second hypothesis was that driving excellence internally impacts positively on customers externally. Therefore, scores were calculated for customers' overall perceptions about their bank (Table 6-9). Obviously, all five banks fell short of their customers' expectations. Nevertheless, Bank A was very close to meeting its customers' expectations, with a gap score of only -5.62. Banks B and D came in second place with -17.1, and -21.7 respectively. Finally, banks C, and E were far away from their customers' expectations they scored -42.42, and -60 respectively.

Table 6-9: Overall SQ. Gap scores for each bank

	Bank-A	Bank-B	Bank-C	Bank-D	Bank-E
The total of all five Gaps	-5.62	-17.1	-42.42	-21.7	-60

6.3 EFQM ASSESSMENT SCORES ANALYSIS

Five focus group interviews were conducted during 2006; on 14th Feb, 10th & 27th Mar, and 11th & 26th April. The first two focus interviews were held during working time at a special meeting room on each bank's headquarters. However, because of the numerous interruptions by the participants' subordinates and colleagues during meetings, the researcher arranged for an alternative external location to ensure participants' focus on the interview programme without any distraction. The business

centre at “Riyadh Marriot Hotel” was the venue where the last three focus groups were held (see Table 6-10). Finally, to guarantee the promised anonymity, every participating bank was given a code from A-E, and only the researcher knows each bank code.

Table 6-10: An overview of the Focus Group Interviews (Dates, and Place)

No.	Date	Venue	Number of participants
1	14/Feb/06	Bank’s Headquarter	8
2	10/Mar/06	Bank’s Headquarter	7
3	27/Mar/06	Business Centre (Marriot Hotel- Riyadh)	9
4	11/April/06	Business Centre (Marriot Hotel- Riyadh)	8
5	26/April/06	Business Centre (Marriot Hotel- Riyadh)	7
Total Participants			39

6.3.1 Profile of Participants

The distribution of the focus group participants and by professional status and work experience are presented in Figure 6.8 and Figure 6-9.

Figure 6-8: Distribution of focus group interviewee by professional status

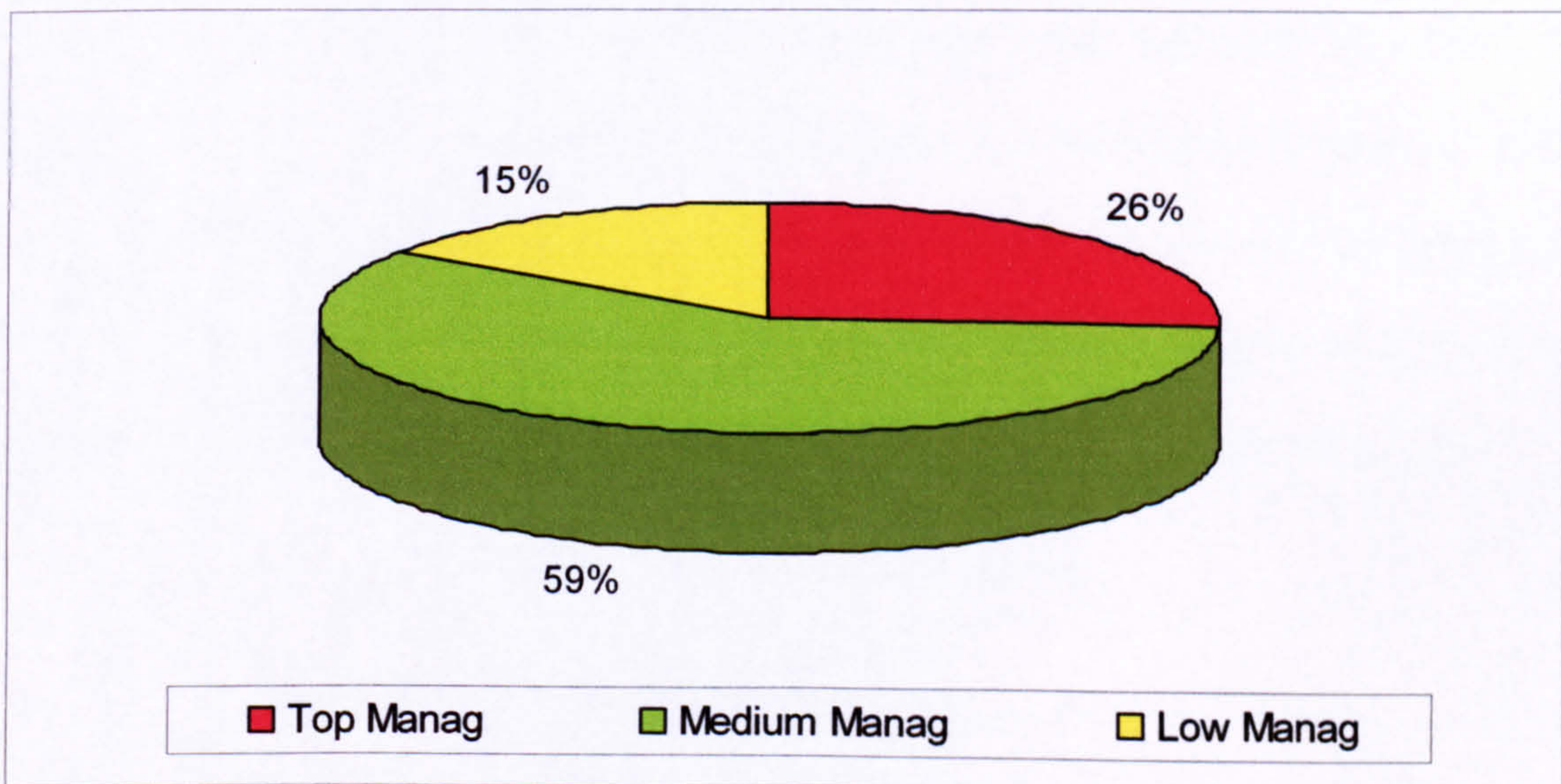
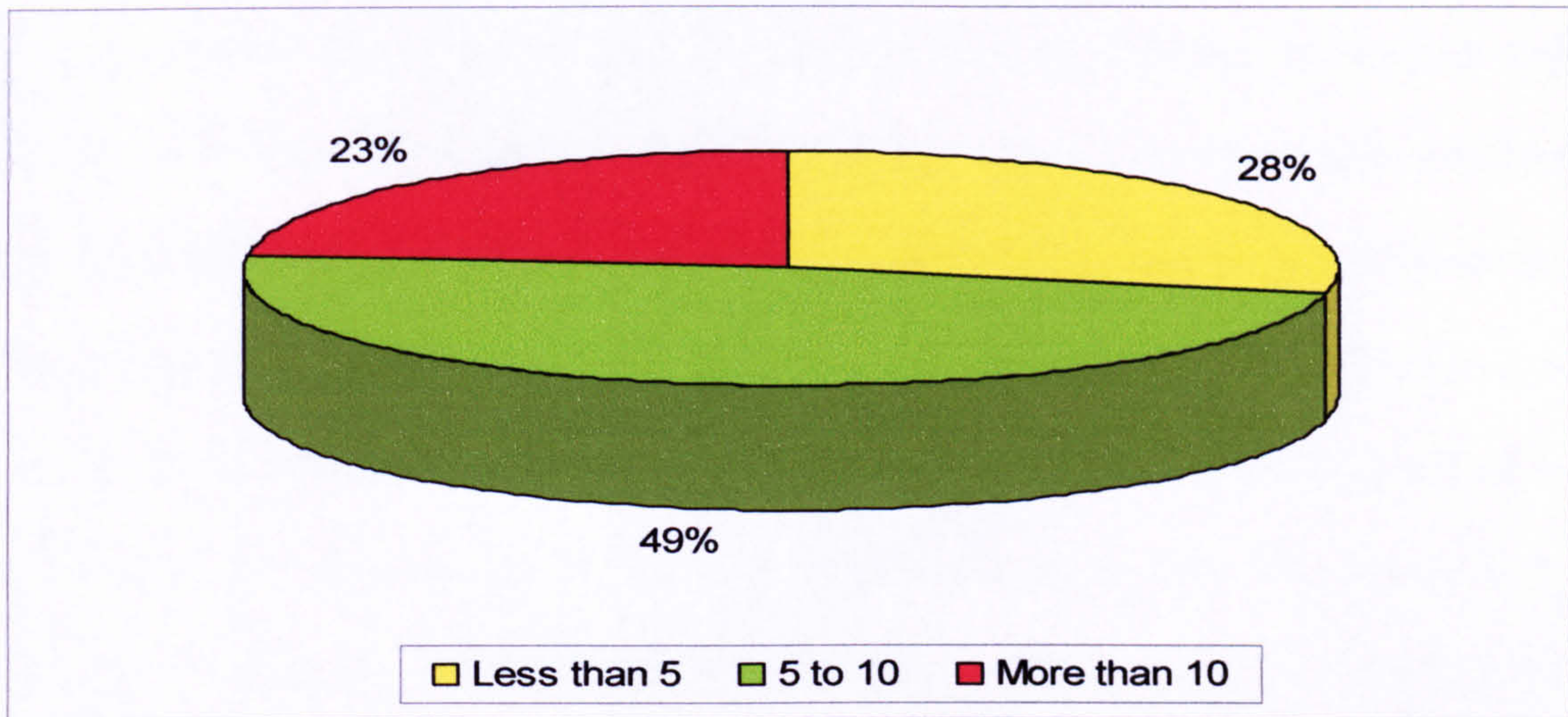


Figure 6-9: Participants' work experience in years

6.3.2 Size of the Focus Group

The numbers of participants also play an important role in the focus group interview. In general, there are about six to ten participants in one focus group session, but some sessions may have up to twelve people (Stewart and Shamdasani, 1990; Morgan, 1997). Dawson et al. (1993) pointed out that focus groups work well with four to twelve people. The information gained may not be adequate or rich enough if there are fewer people to interact. In this study, in order to gain sufficient information, ten employees from each bank were invited in advance; i.e. a total of 50 employees were recruited. However, 39 participants (78 %) took part in the five focus groups (see table 6-11).

6-11: Size of the Focus Group

Bank code	Number of participants
A	8
B	7
C	9
D	8
E	7
Total	39

6.3.3 Reliability and Validity of the Case Study Approach

As explained earlier in chapter five, the most important issues related to the case study design are to create designs with construct validity, internal validity, external validity, and reliability (Yin, 2003b). This study applied the EFQM Ladder of Excellence as a formal case study protocol, since it offered a huge structural support. The researcher deployed the structured model in order to obtain valid and reliable quantitative and qualitative data. Such an approach is supported by Gummesson (1998), who observed “There is a need for inductive research that allows reality to tell its own full story without forcing received theory on it”. This study therefore sought to add some empirical insights to the theoretical literature on Service Excellence through exploring how well major Saudi banks are driving excellence. Specifically, this phase sought to identify the CEFs applied by participant banks. In this phase the EFQM model (Ladder of Excellence) is employed as a structural diagnostic tool that facilitated achieving this phase’s objectives which are:

- To investigate how banks are driving excellence and what are the generic and common elements of excellence?
- To determine how good they are in driving Excellence?

Construct validity deals with the use of instruments and measures that accurately measure and operationalise the constructs of interest in a study. Because most instruments and measures are not necessarily as accurate as would be desired, a common strategy is to use multiple measures of the same constructs as part of the same study. Both internal and external validity were touched on in the discussion on the role of theory. Internal validity can be achieved through the specification of the units of analysis, the development of a priori rival theories, and the collection and analysis of

data to test these rivals. Similarly, one can achieve external validity through the specification of theoretical relationships, from which generalisations can then be made. A further confirmatory step the researcher provided of the research findings was to match the EFQM assessment scores of the results for each bank, alongside its KPI's as lagging measures.

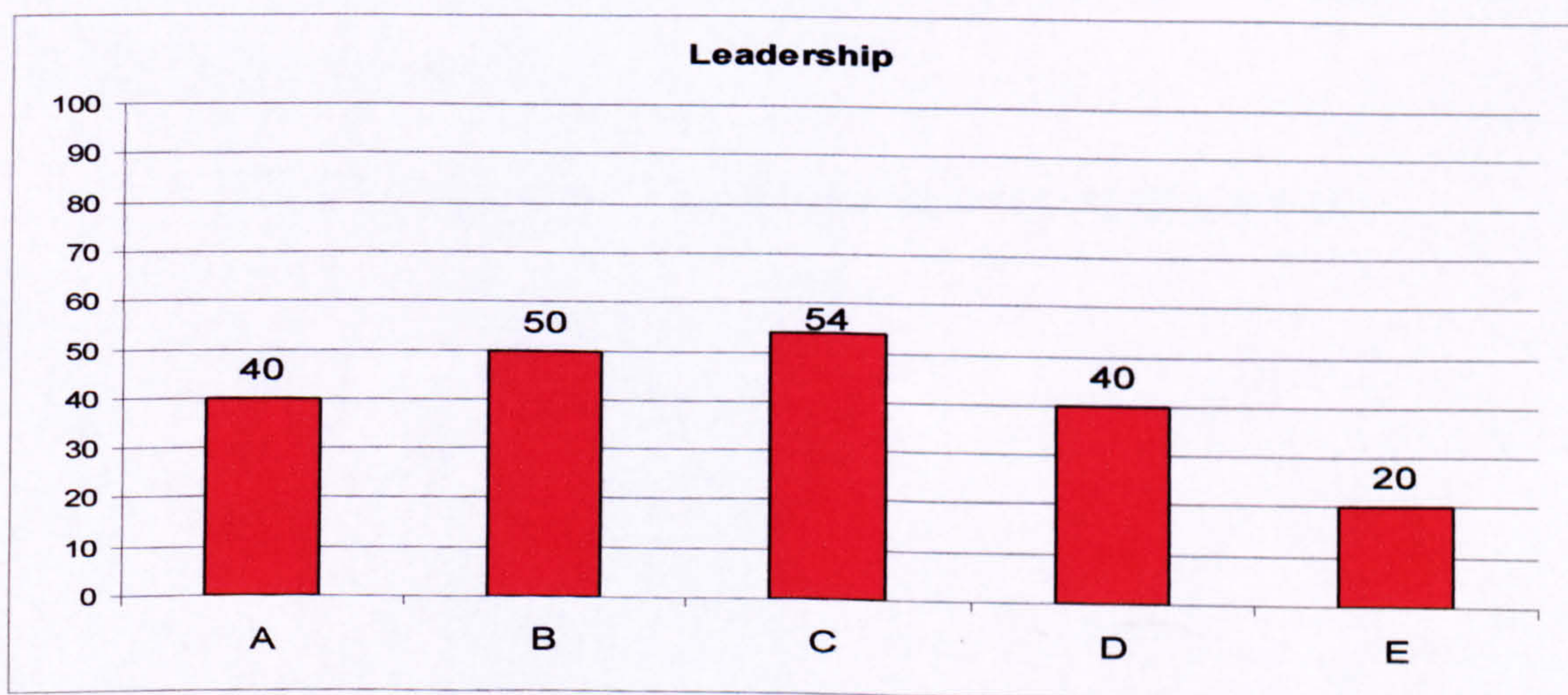
6.3.4 Banks' Assessment Scores by Criteria

The subsequent subsections will report the score obtained by each bank for the nine excellence criteria. As discussed in chapter three, the EFQM Excellence model gives a different weight to each criterion. Therefore, this section's figures will take this into account by setting the highest value of the (y) axis in each figure according to the maximum score of the represented criterion.

6.3.4.1 Leadership

All participants excluding bank E reported comparable scores, ranging from 40 to 54 points, about half or less the maximum score for the leadership criterion (see Figure 6-10). Bank E was far away from the rest of the banks, scoring only 20 points.

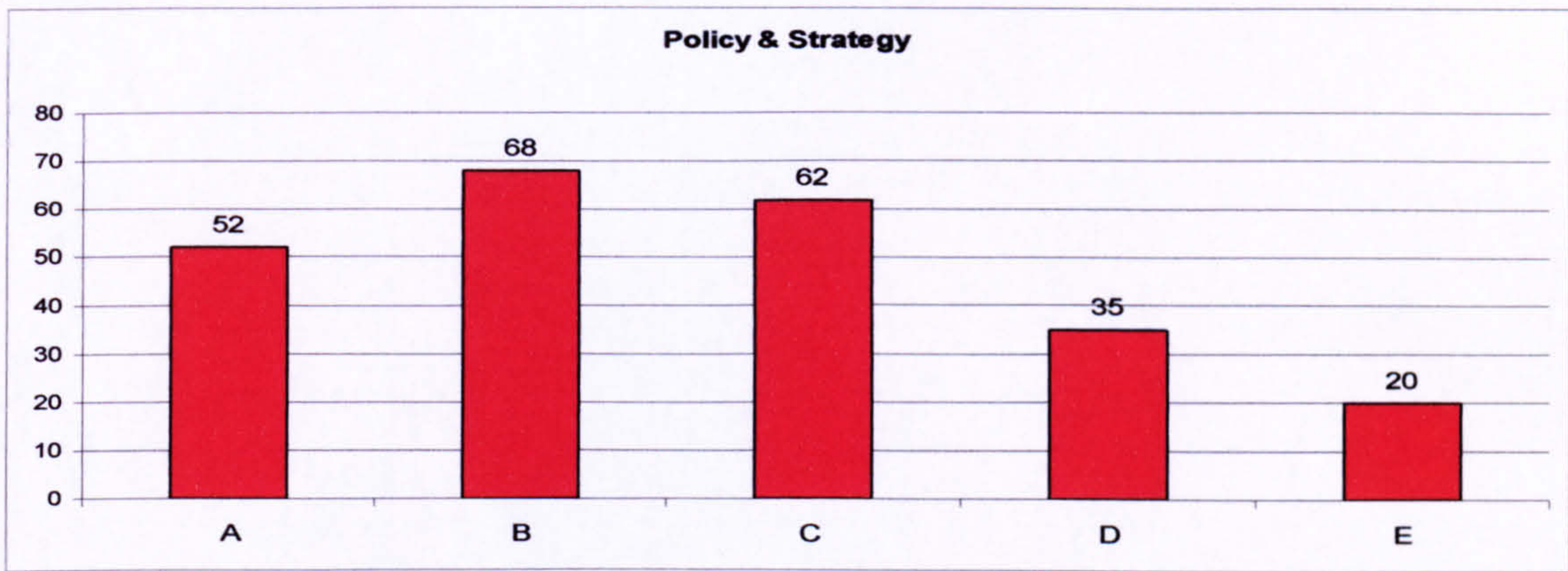
Figure 6-10: Banks' assessment scores for Leadership criterion



6.3.4.2 Policy & Strategy

Regarding the Policy and Strategy criterion, banks A, B, and C reported relatively higher scores (52, 68, and 62) out of 80 respectively. On the other hand banks D and particularly E obtained very low scores 35 and 20 respectively, (see Figure 6-11).

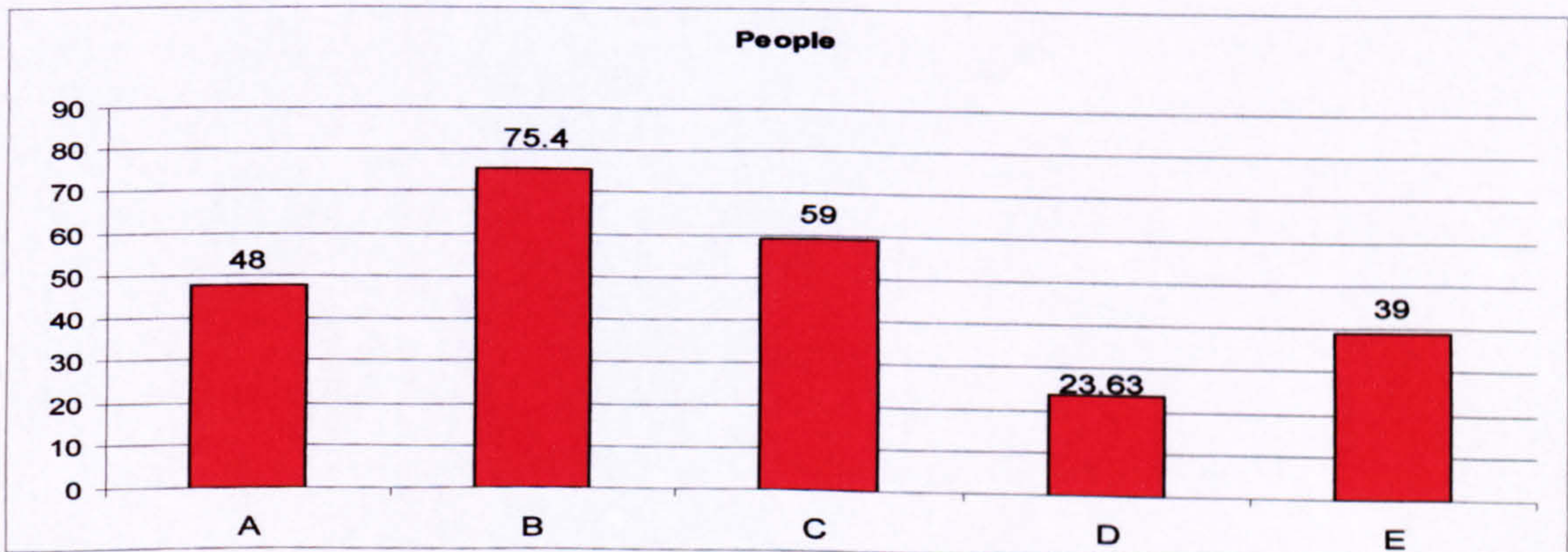
Figure 6- 11: Banks’ assessment scores for Policy and Strategy criterion



6.3.4.3 People

On managing people, banks’ scores appeared to be more varied Bank B was the best scoring with 75.4 points, banks C and A came next scoring 59 and 48 respectively. As usual, banks E and D scored the lowest regarding this criterion (39, and 23.63 points). Remarkably, this was the first time that bank E was not the lowest scoring bank among participants (see Figure 6-12).

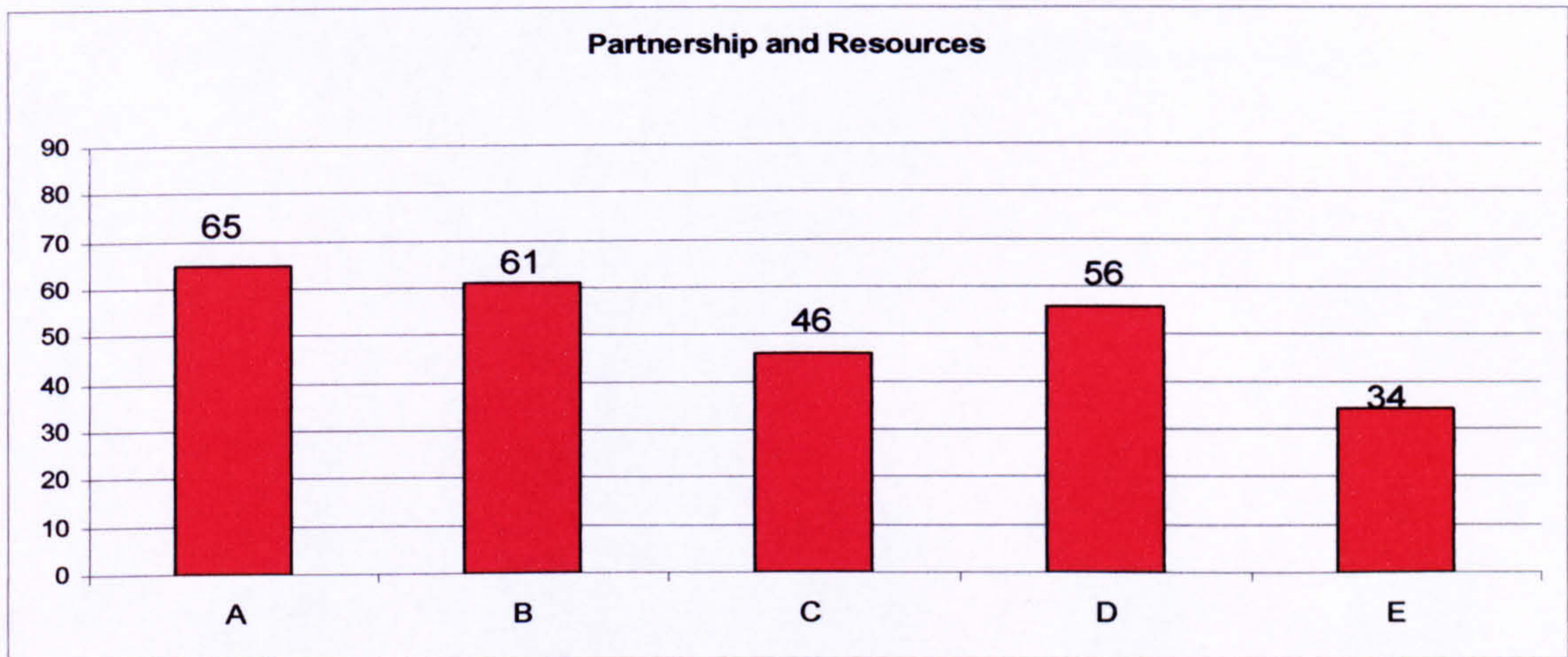
Figure 6-12: Banks’ assessment scores for People criterion



6.3.4.4 Partnership and Resources

Figure 6-13 shows that bank A, B, and D, out of 90 points; scored the highest, 65, 61, and 56 respectively. Banks C and E reported lower scores (46 and 34) on managing people.

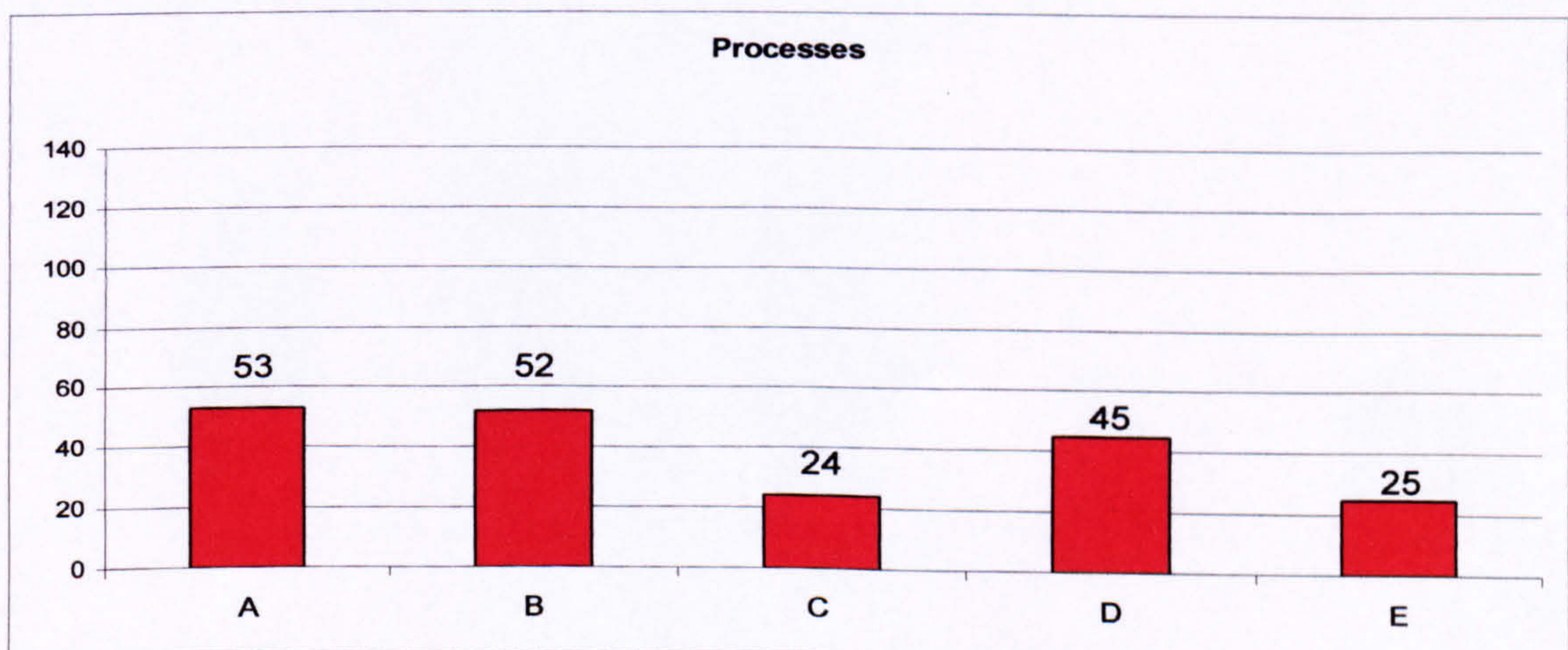
Figure 6-13: Banks' assessment scores for Partnership and Resources criterion



6.3.4.5 Processes

Clearly Figure 6-14 illustrates a disappointing situation among the five Saudi banks. Banks C and E scored only about 25 out of 140. Comparatively banks A, B and D had healthier scores (53, 52 and 45). Still, all scores were far away from the acceptable levels.

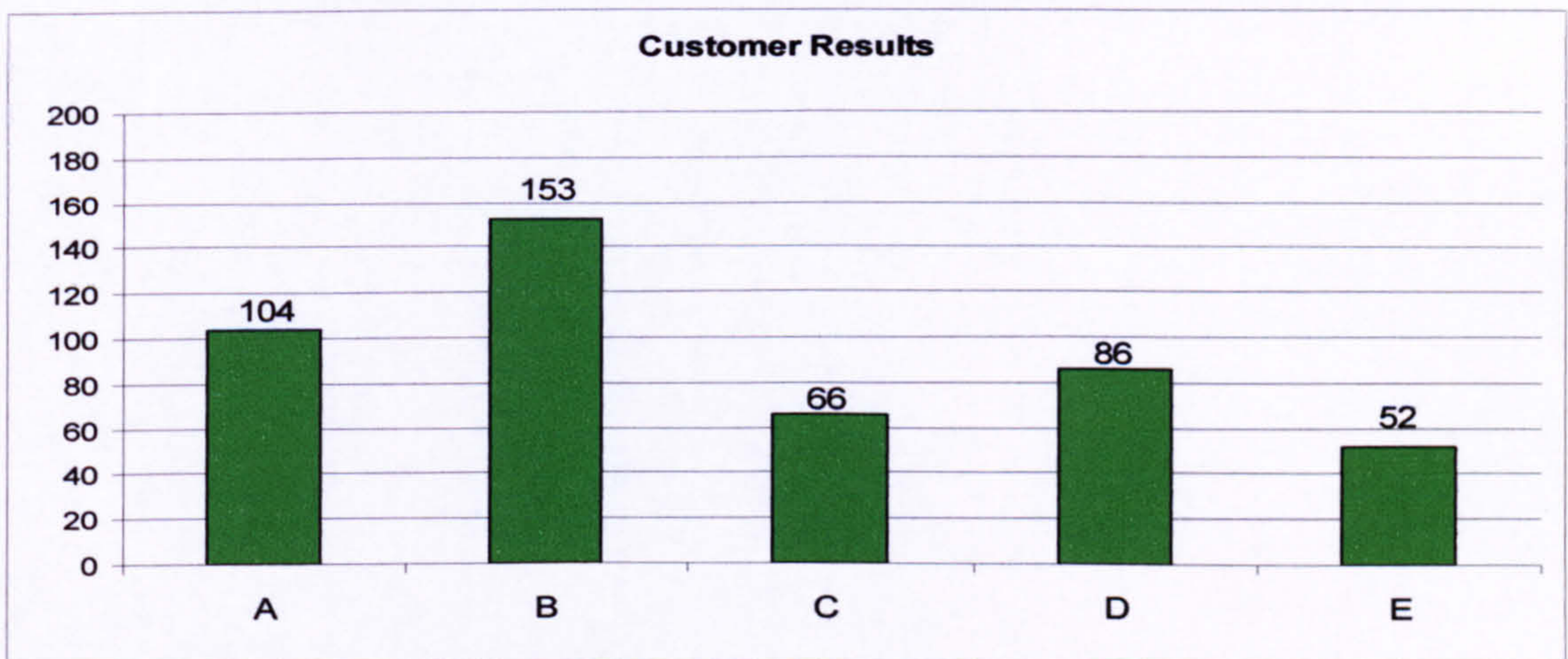
Figure 6-14: Banks' assessment scores for Processes criterion



6.3.4.6 Customer Results

Customers' results is the first Results criterion. Figure 6-15 illustrates that Bank B obtained a high score of 153 points out of 200. Next was bank A with 104 points. Bank C and D scored 66 and 86 respectively. As usual, bank E had the lowest score, only 52 points out of 200.

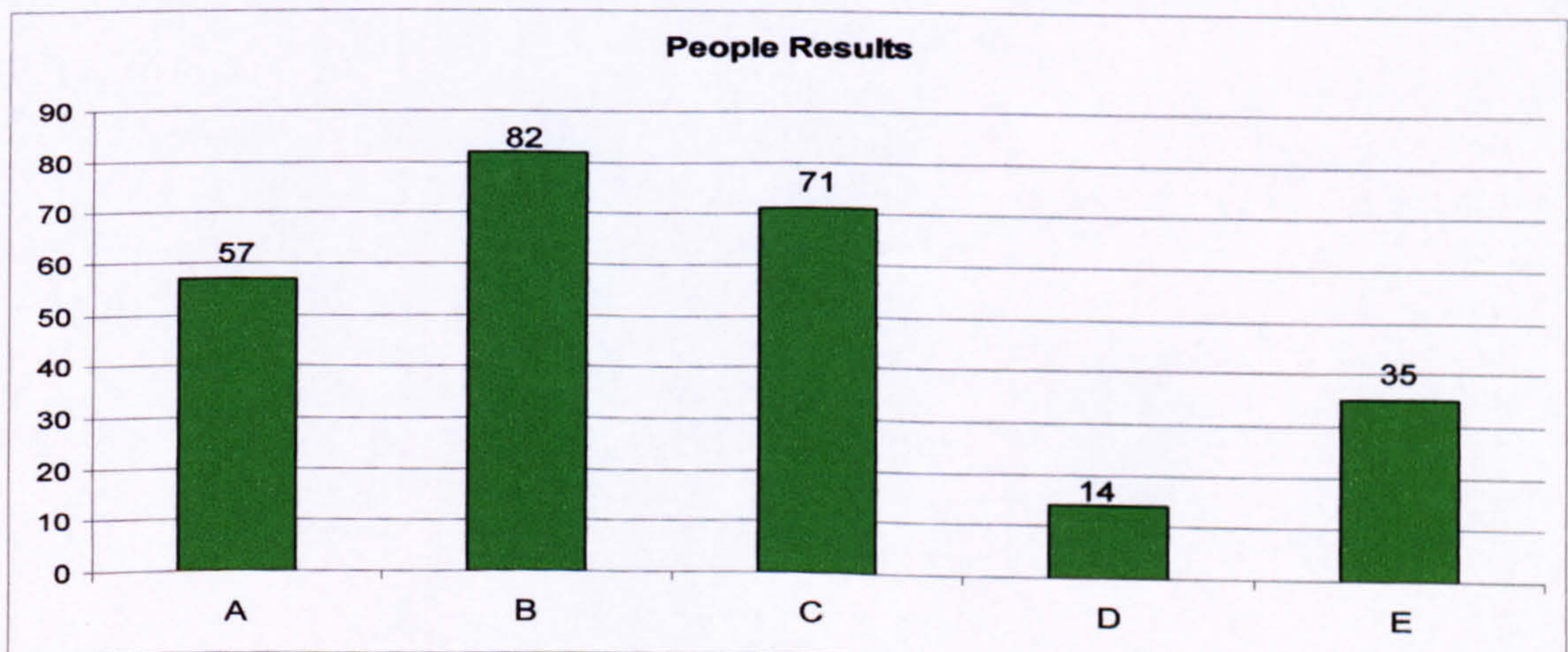
Figure 6-15: Banks' assessment scores for Processes criterion



6.3.4.7 People Results

Figure 6-16 illustrates that banks B, C, and A were the best performing banks regarding this criterion. They scored 82, 71, and 57 respectively. Bank E came next, scoring 35 points out of 90. Bank D did especially poorly with only 14 points out of 90.

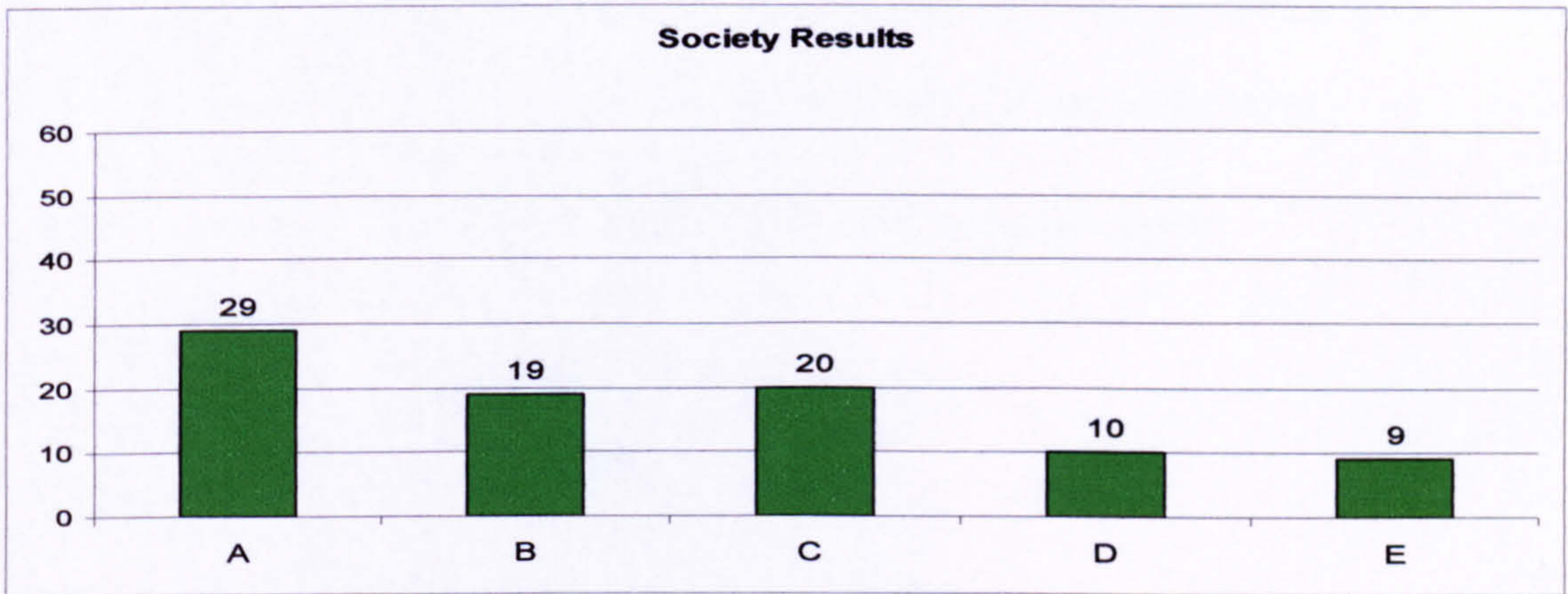
Figure 6-16: Banks' assessment scores for People Results criterion



6.3.4.8 Society Results

Figure 6-17 reveals another shocking finding, since participating banks obtained very weak scores regarding the Society criterion. Bank B considered the best performing bank regarding this criterion, reported only 29 points out of 60, while, the remaining scores ranged from 9 to 20.

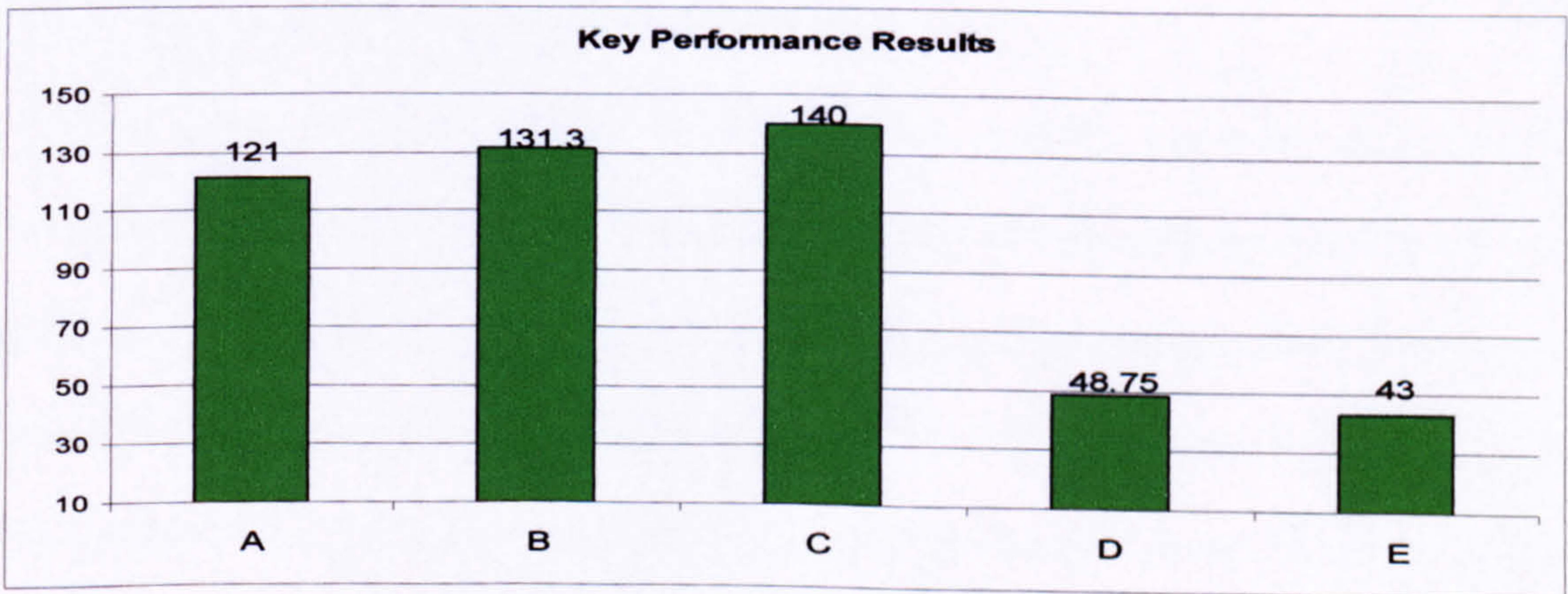
Figure 6-17 : Banks’ assessment scores for Society Results criterion



6.3.4.9 Key Performance Results

The following figure 6-18 illustrates each bank’s score on the final excellence criterion i.e. Key Performance Results. Banks C, B, and A were the top performing on this criterion; they scored 140, 131.3 and 121 points respectively. On the other hand, banks D and E obtained very disappointing scores of only 48.75 and 43 points out of 150.

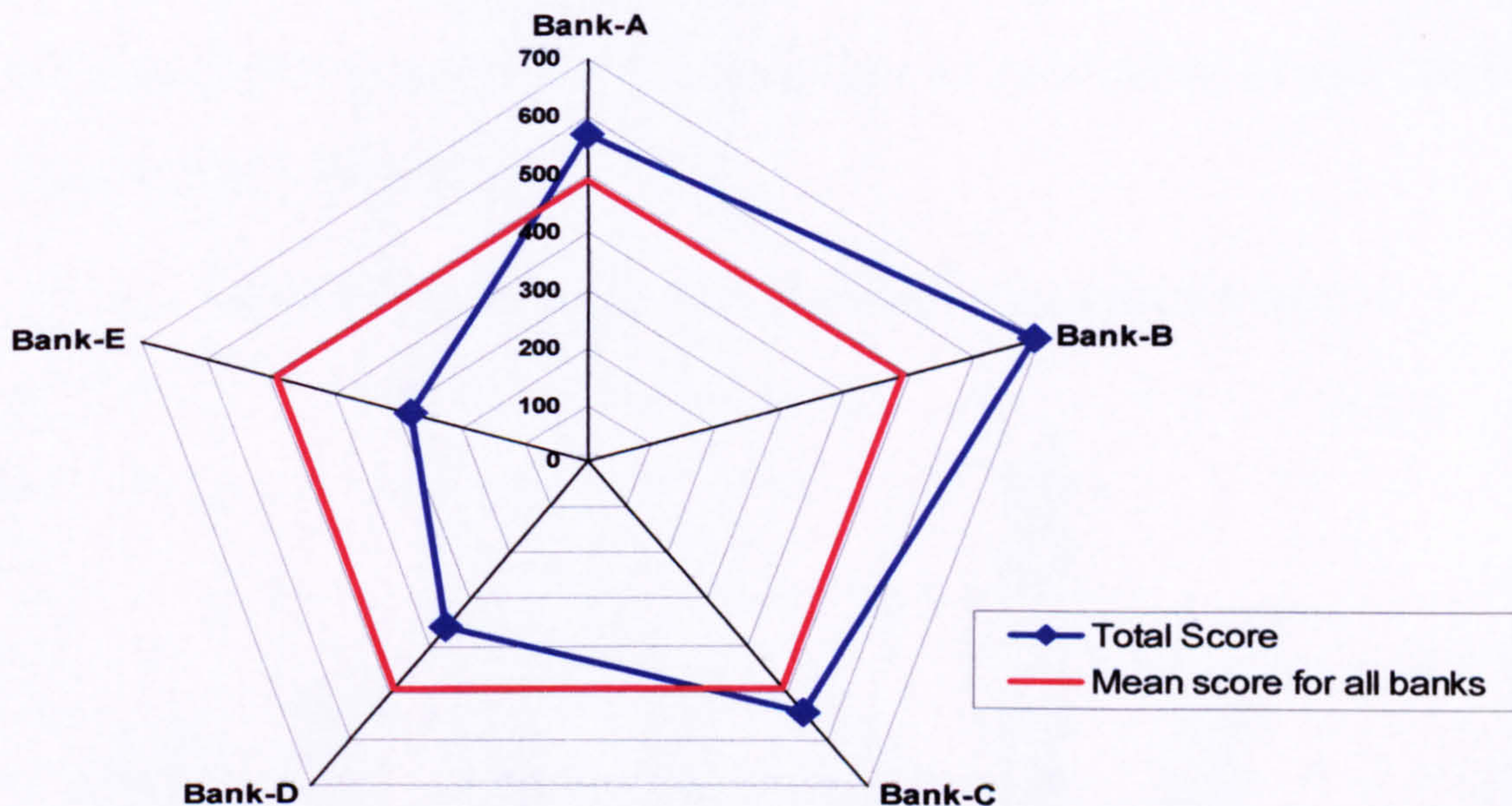
Figure 6-18 Banks’ assessment scores for Key Performance Results criterion



6.3.5 Banks' Total Assessment Scores

Figure 6-19 illustrates a marked contrast among the five participating banks. The red line indicates the mean score of the total assessment scores for all banks. Bank B reported the highest score, slightly less than 700 points. Banks A and C were very close to each other, scoring 569 and 542 points respectively. Banks D and E were the only two banks to score below the mean, they scored only 358 and 277 points.

Figure 6-19: Banks' total assessment scores



6.3.6 Benefits of Benchmarking

Benchmarking can yield several valuable results. Finding out how well the best organisations are currently performing helps in goal setting. Finding out who the best are helps in determining productive benchmarking partner organisations. Finding out how the best became that way often provides improvement ideas, ideas that can help an organisation improve more efficiently. Analysis of the gaps from baseline (current performance level) to benchmark (current performance level of the best companies)

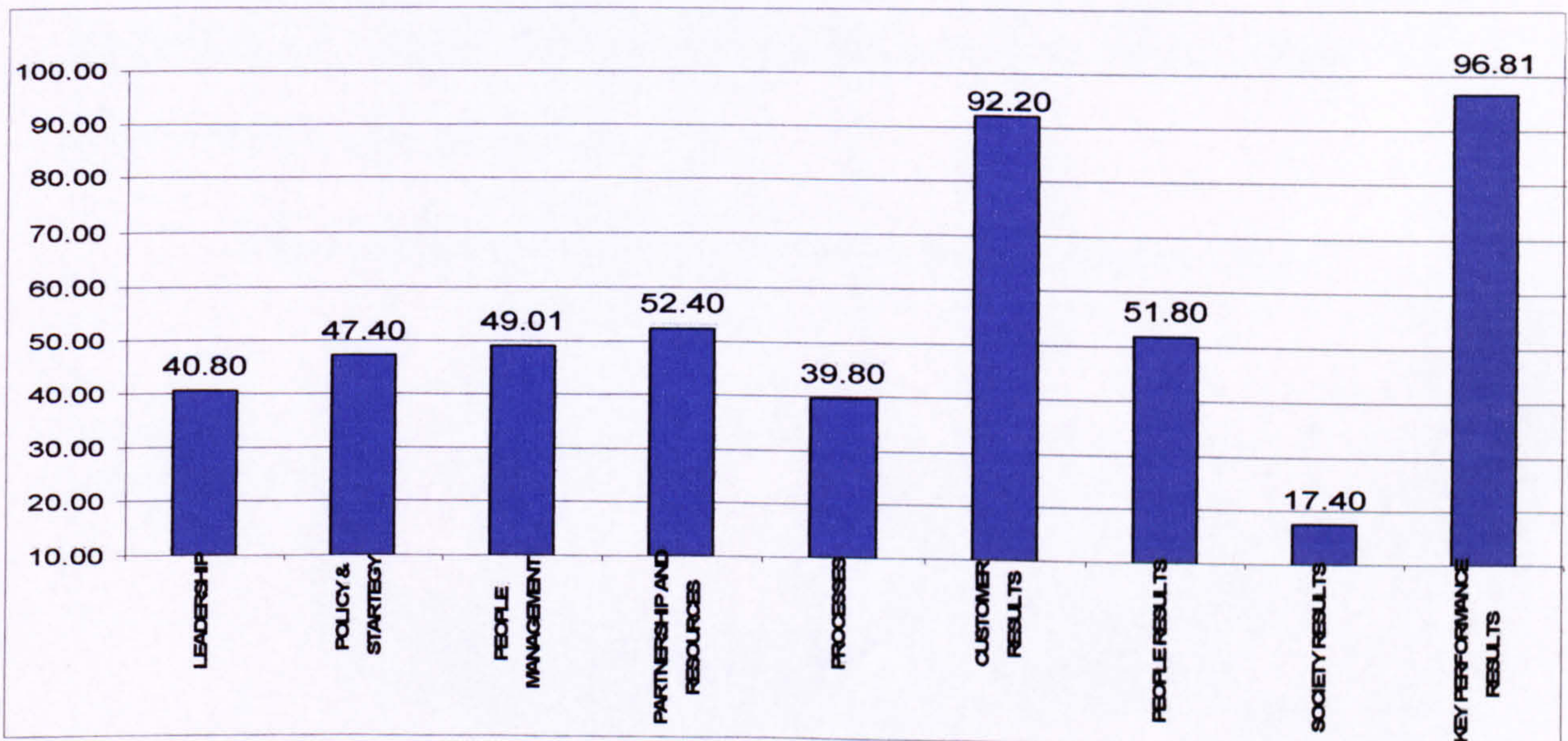
helps in prioritising resource allocation. Simply analysing baseline and benchmark levels often helps an organisation review and improves its system of measurements. Based on these facts about benchmarking, the following sections will include some benchmarking activities and gap analysis.

6.3.7 Benchmarking the Aggregate Banks' Scores

This section seeks to represent all five participating banks as one unit. In addition, it includes a benchmarking exercise against the European Quality Association (EQA.), which helps in understanding the precise excellence position of the participating banks, since this was one of the study's objectives. The aggregate position of all five participated banks was identified by calculating their mean scores on each criterion.

Figure 6-20 presents the data.

Figure 6-20: Aggregate score reported by participated banks

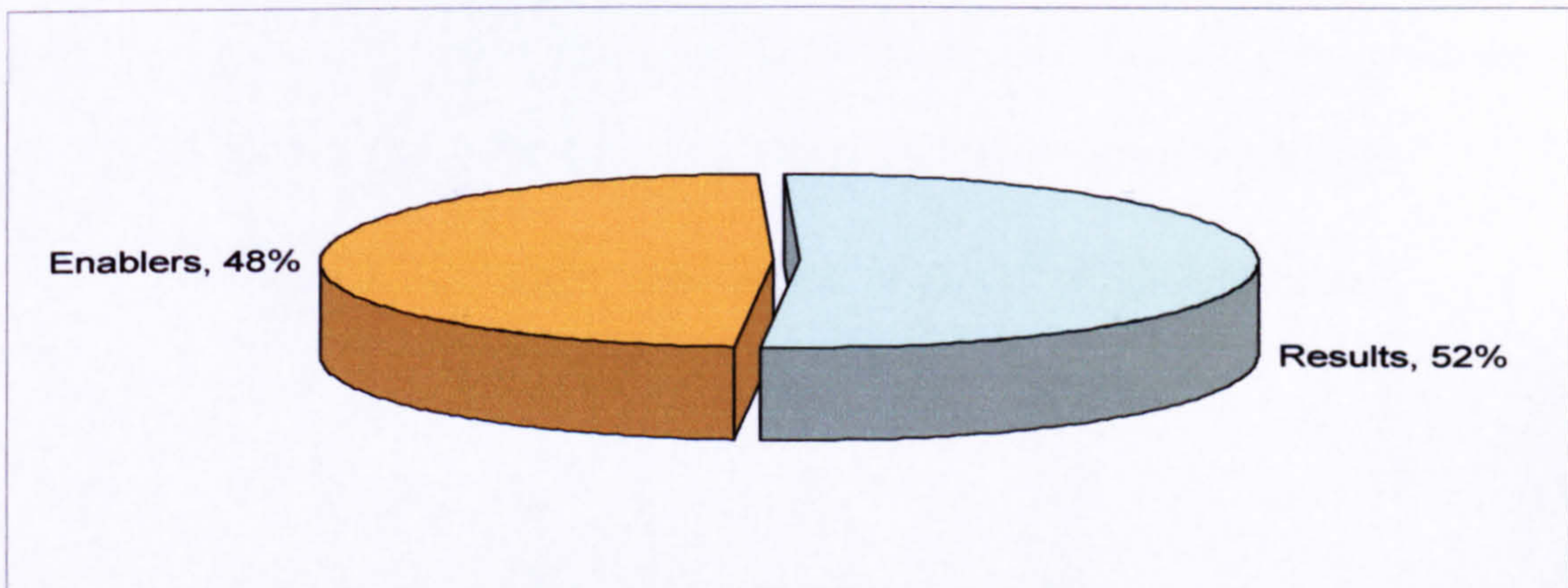


6.3.7.1 Benchmarking Enablers and Results scoring ratio

Examining the ratio Enablers' and Results' scores to the overall score of each bank is a very vital tool to assess the level of excellence within the origination. Excellent organisations normally place more weight on the side of the Enablers rather than

Results as a result of focusing more on driving excellence. However, the participating banks derived more of their total score on the results side, 52%, while only 48% of their reported points were on Enablers criteria (see Figure 6-21).

Figure 6-21: Bank scores ratio on Enablers and Results criteria



Interestingly, in this regard, the European Quality Association (EQA) has offered a benchmarking data which reveal that on average, excellent European organisations obtain about 58% of their total assessment scores on Enablers criteria and only 42% on the Results side (see Figure 6-22).

Figure 6-22: EQA scores ratio on Enablers and Results criteria

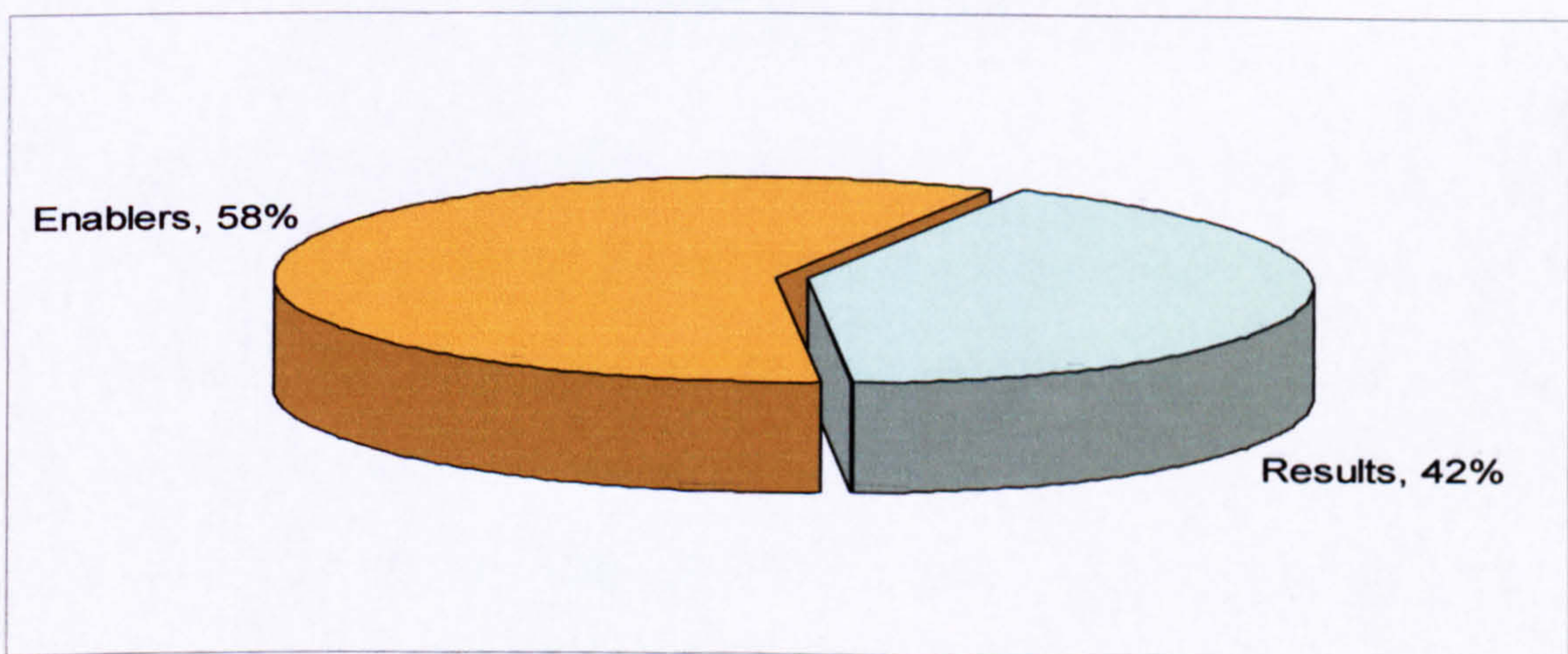


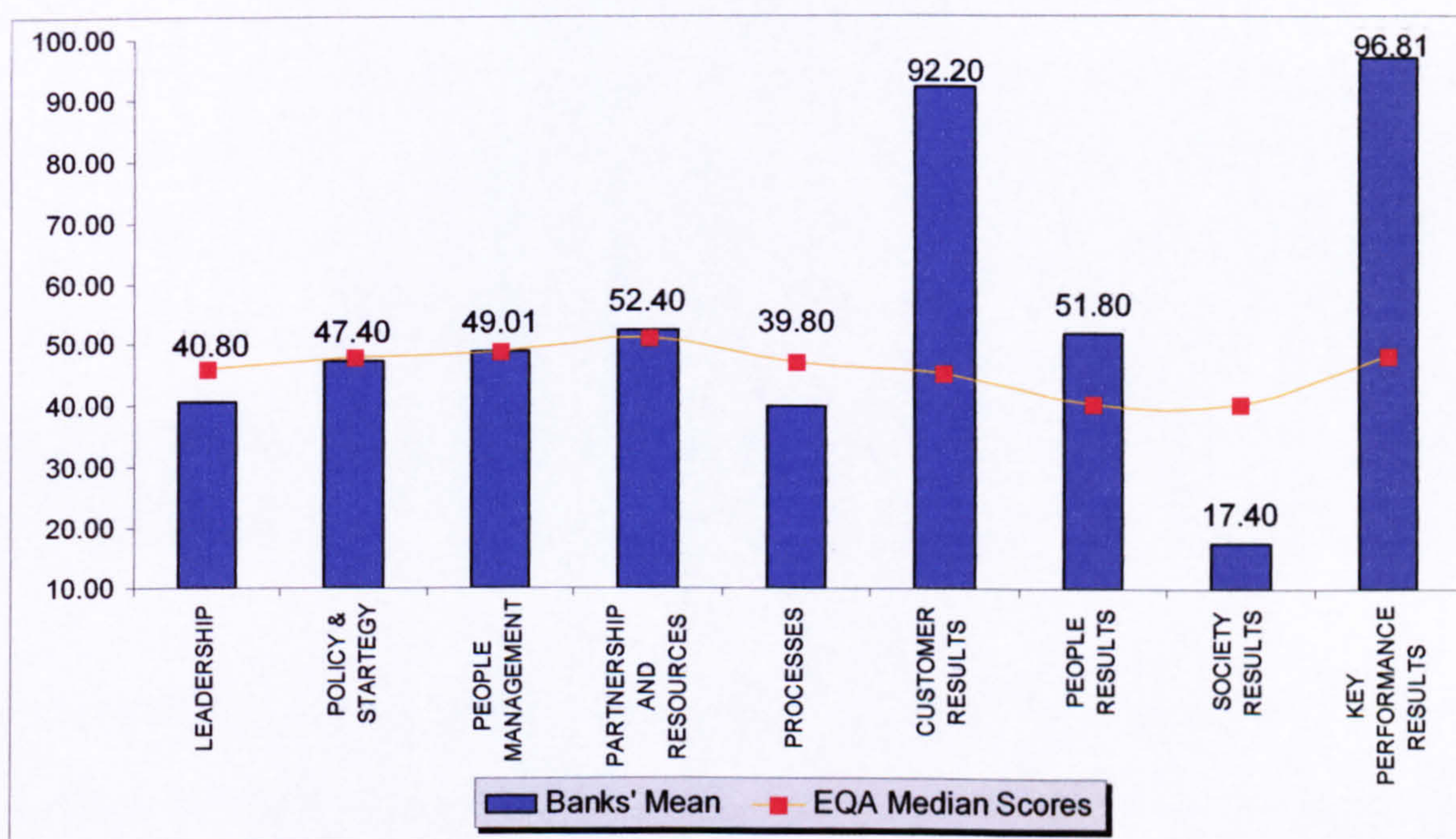
Figure 6-23 illustrates how the selected sample (i.e. the five Saudi banks) performed contrast to the available EQA benchmark data. The blue bars represent the mean of all

five banks for each criterion, while the fluctuating red line signifies the EQA benchmarked data.

6.3.7.2 Benchmarking each criterion

Figure 6-23 figure provides a wider picture of the position of the five banks. Again the blue bars represent the mean scores for the five banks for each criterion, while the red line in the chart represents the mean benchmarking data provided by the EQA.

Figure 6-23: Banks' mean scores vs. the EQA median scores



The above figure reveals that all five Saudi banks almost meet the average EQA scores on the three enablers' criteria namely, Policy & Strategy, People Management, and Partnership and Resources. However, they fall short of achieving the average EQA scores on the Leadership and Processes criteria. In the case of the Results criteria a bit more variation is apparent between the five banks' mean scores and the EQA benchmark score. On the Customer, People, and Key Performance Results criteria, the five banks as one component performed much better than the average of the EQA. Nonetheless, they reported a significant failure regarding the Society Results criterion.

6.3.8 Gap Analysis

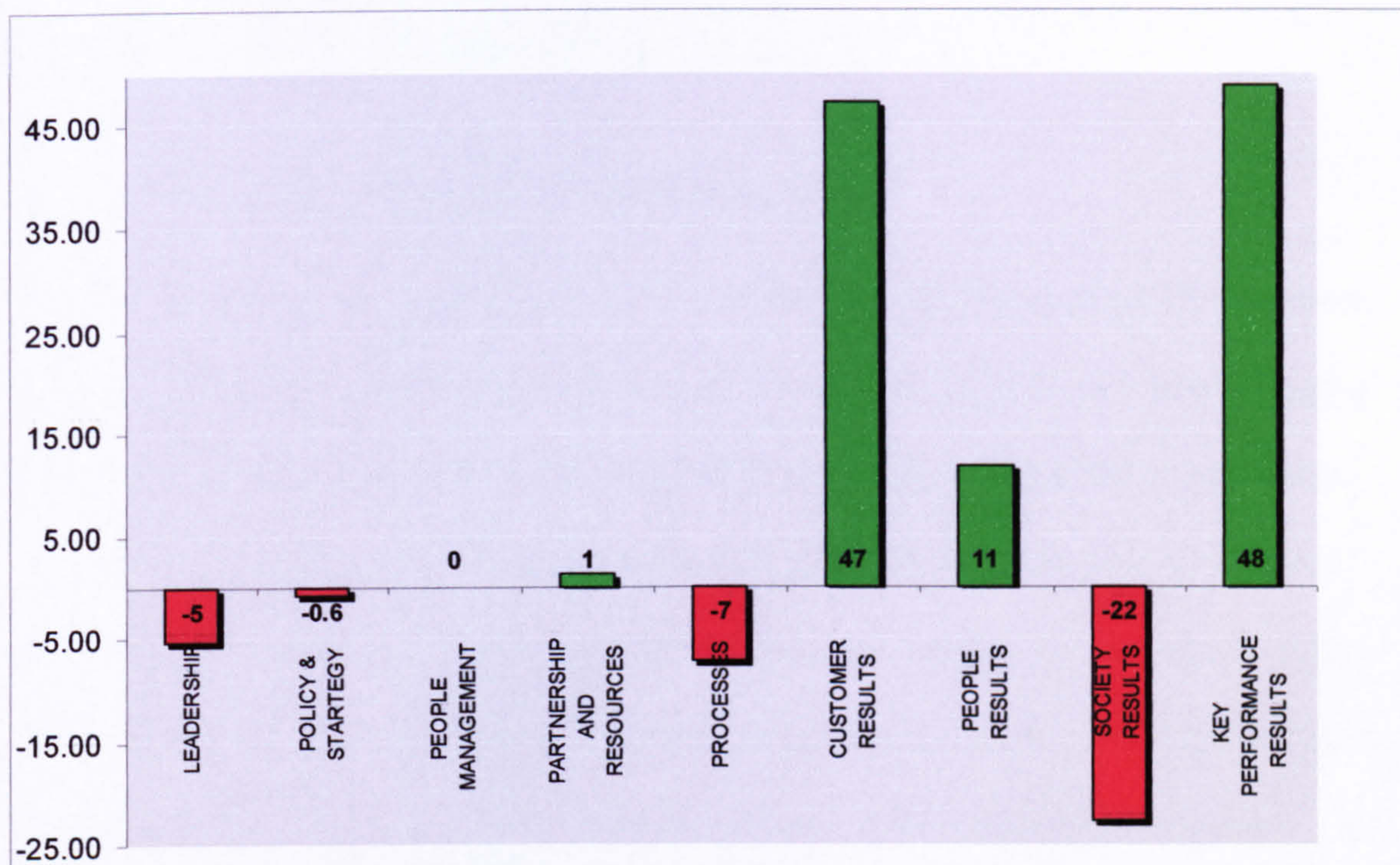
The next Table 6-12 illustrates the finding of a gap analyses conducted between the averages of the EQA against the mean of the five participated banks in all criteria. This test will clarify the aggregate banks' performance more accurately.

Table 6-12: Gap analysis

	Enablers					Results				Total Score
	LEADERSHIP	POLICY & STRATEGY	PEOPLE MANAGEMENT	PARTNERSHIP AND RESOURCES	PROCESSES	CUSTOMER RESULTS	PEOPLE RESULTS	SOCIETY RESULTS	KEY PERFORMANCE RESULTS	
Banks' mean Scores	40.80	47.40	49.01	52.40	39.80	92.20	51.80	17.40	96.81	487.62
EQA Median Scores	46	48	49	51	47	45	40	40	48	414
Total Gap	-5.20	-0.60	0.01	1.40	-7.20	47.20	11.80	-22.60	48.81	73.616

Noticeably, the numbers within the last row, "Total Gap" varies in colour. The red coloured numbers indicate a negative gap, signifying the failure of the five banks to achieve the median score of the EQA on that particular criterion. On the other hand, numbers in green signify a positive gap, in favour of the five banks. In order to achieve a better depiction of the above gap analysis, it is possible to represent the above table in a different way through the next figure (6-24).

Figure 6-24 :Gap analysis



Generally, the above figure reveals that the five banks failed to achieve the median score reported by the EQA in all Enablers criteria, except for a very small advantage on the Partnership and Resources management. The biggest negative gap among the Enables criteria for Processes (-7.20), then Leadership (-5.20), and Policy and strategy with only -0.06. Meanwhile, the Partnership and Resources management criterion showed the only positive gap among all Enables; a positive score of 1.40. Although People management showed a positive gap, it was so small (only 0.01) that can be considered as an equal score.

In contrast, the Gap analysis reveals that Results criteria reported healthier findings, with three positive gaps out of four. Moreover, positive gaps here are greater in terms of size compared to the gap size within the enabler's. The highest positive gap was scored by Key Performance Results (48.81), followed by Customer Results (47.20), and the last positive gap was 11.80 for the People management criterion. The only negative gap

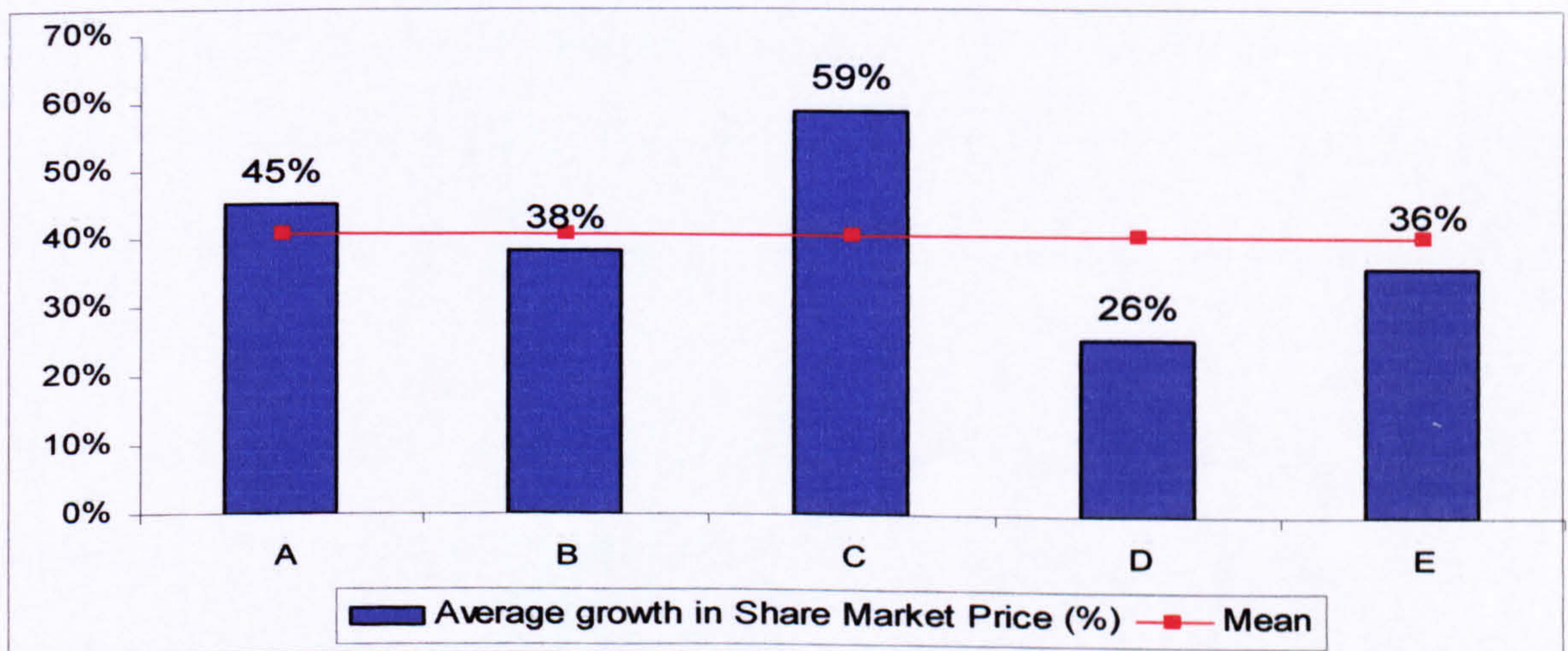
reported in the Results criteria was the Society result. However, it was the biggest negative gap among all the nine criteria at -22.60.

6.4 ANALYSIS OF LAGGING MEASURES

Lagging measures are used to provide confirmation of the conducted assessment technique during this study. The latest six years from 2000 to 2006 post result “lagging” KPIs offers the opportunity to investigate each banks performance in driving excellence. The chosen KPIs in the following comparisons are: the market price of the bank’s Shares, Net profit, Return on Assets (ROA), Owners’ Equity, and Return on Equity (ROE). In fact, the chosen KPIs do not cover all the criteria identified within the EFQM excellence model. However, it was decided to focus on these indicators, since they deal with the bottom line results.

Share Market Prices: considered one of the critical issues to any firm’s shareholders. All five banks performed well regarding this issue.

Figure 6-25 Average annual growth of the banks’ share prices



As illustrated above in Figure 6-25, banks C and A were the top two banks, since both has growth levels exceeding the banks’ average (41%). They reported an average annual

growth of 59% and 45% respectively. In contrast, bank B, D, and E experienced lower growth rates 38%, 26%, and 36% respectively.

Net Profit: Is another major indicator often referred to as the bottom line, Net profit is calculated by subtracting a company's total expenses from total revenue, thus showing what the company has earned (or lost) in a given period of time (usually one year).

Figure 6-26: Average annual growth of the banks' Net Profit

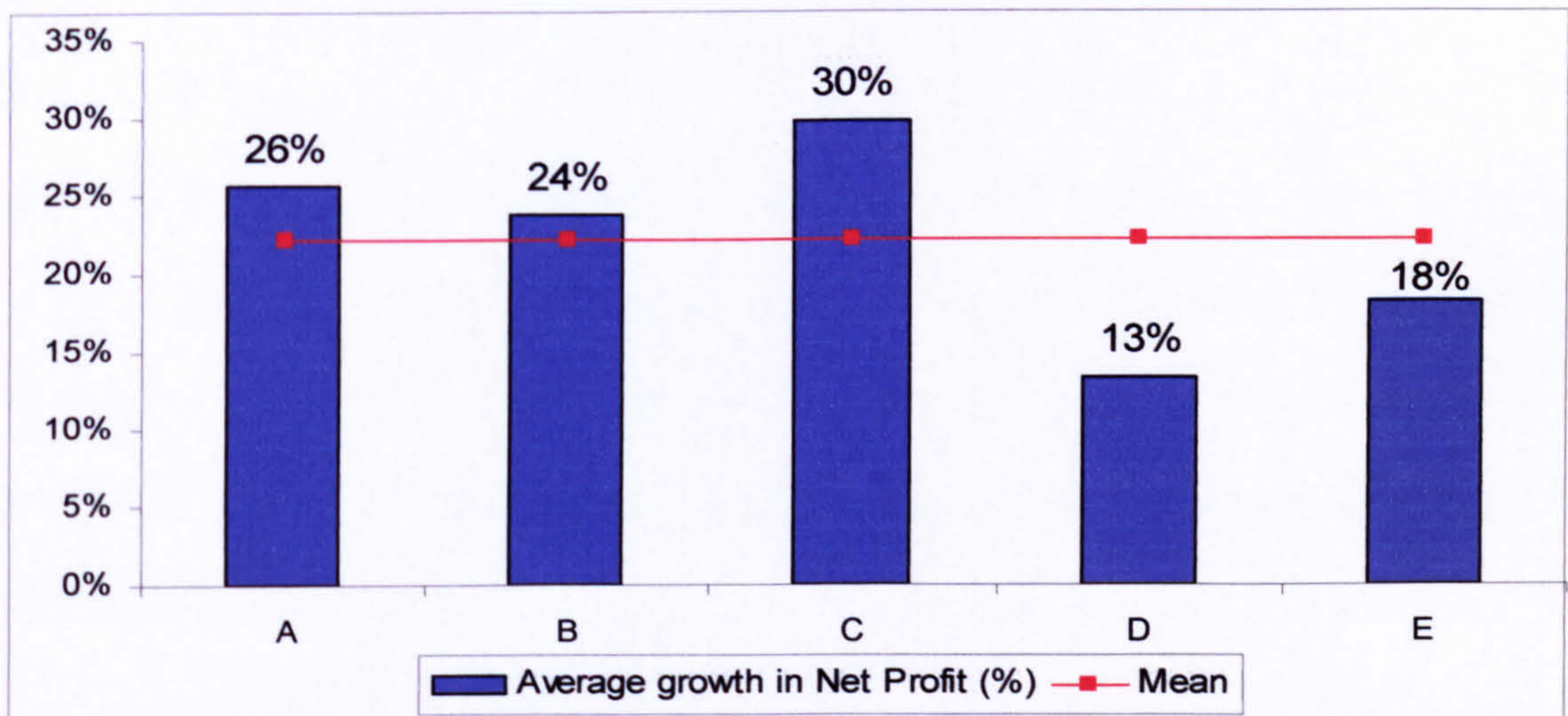


Figure 6-26 illustrates the average annual growth in Net Profits for the last six years. Banks A, B, and C were the best performing banks from this angle. They reported an average yearly growth of 26%, 24%, and 30% respectively. In contrast, both banks D and E performed less than the group average; their growth rates were only 13% and 18% respectively.

Return on Assets (ROA): An indicator of how profitable a company is relative to its total assets. ROA gives an idea how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment".

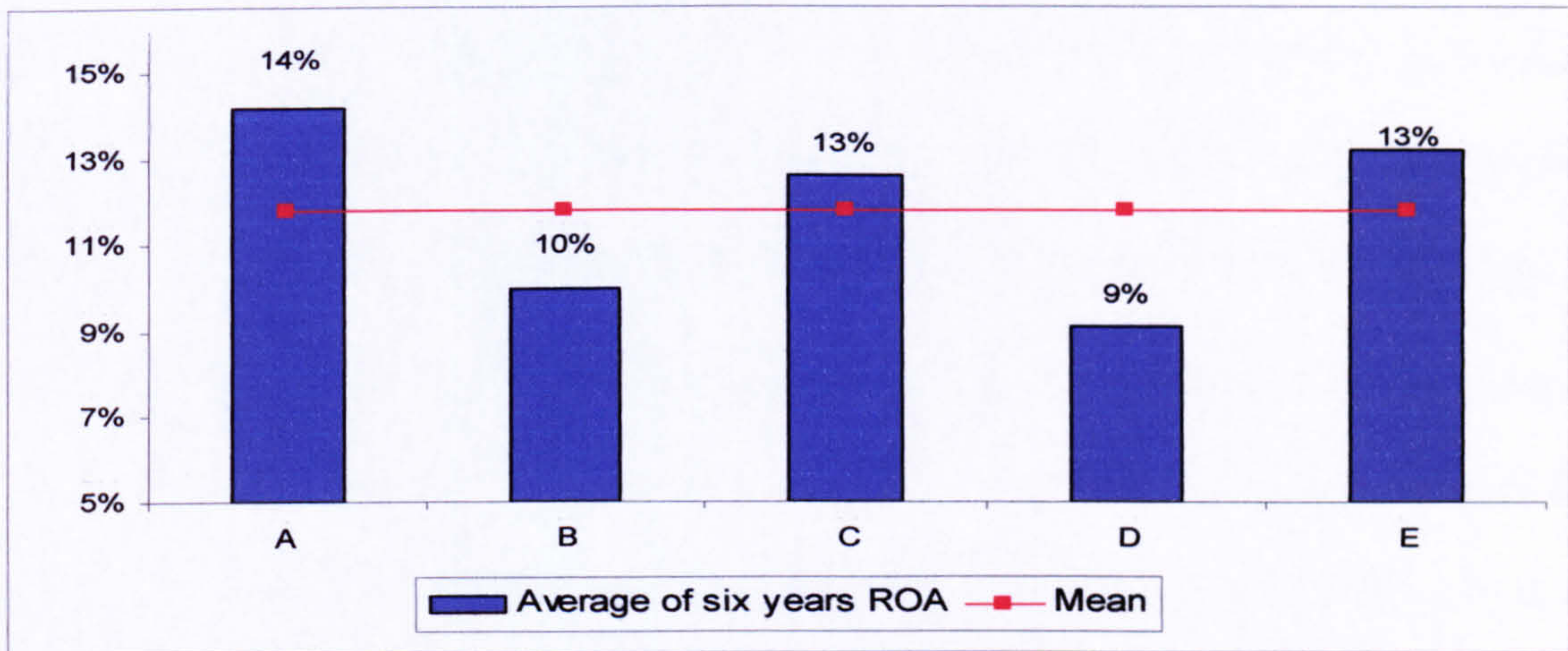
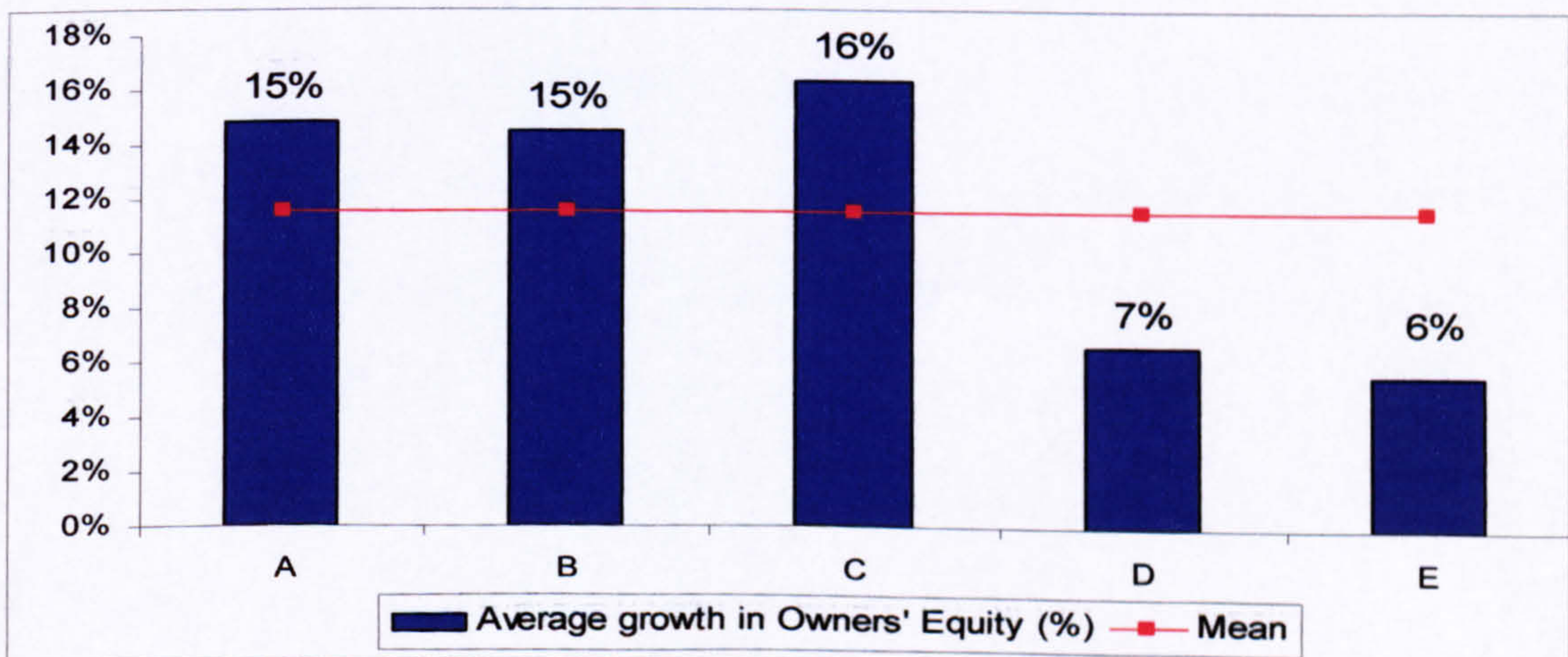
Figure 6-27: Average annual growth of the banks' ROA

Figure 6-27 illustrates the position of the five banks according to this measure. Evidently, Bank A confirmed its distinctiveness by reporting an average annual growth of ROA by 14%. Banks C and E came next each reporting a 13% level of growth. Banks B and D were the least successful concerning this indicator, they report just 10% and 9% respectively.

Owners' Equity: The portion of the balance sheet that represents the capital received from investors in exchange for stock (paid-in capital), donated capital and retained earnings. Sometimes called "Stockholders' equity". It represents the equity stake currently held on the books by a firm's equity investors .

Figure 6-28: Average annual growth of the banks' Owners' Equity

The former Figure 6-28 shows as usual the high performance achieved by banks A, B, and C; they performed better than the group's average (12%), attaining an average annual growth on owners' Equity of 15%, 15%, and 16% respectively. In contrast, banks D and E presented weak results, with growth of only 7% and 6 % respectively.

Return on Equity: A measure of a corporation's profitability, calculated as: Net income/ Owners' Equity. Basically, ROE reveals how much profit a company generates with the money shareholders have invested in it. According to Investopedia (2006) the ROE is useful for comparing the profitability of a company to that of other firms in the same industry.

Figure 6-29 Average annual growth of the banks' ROE

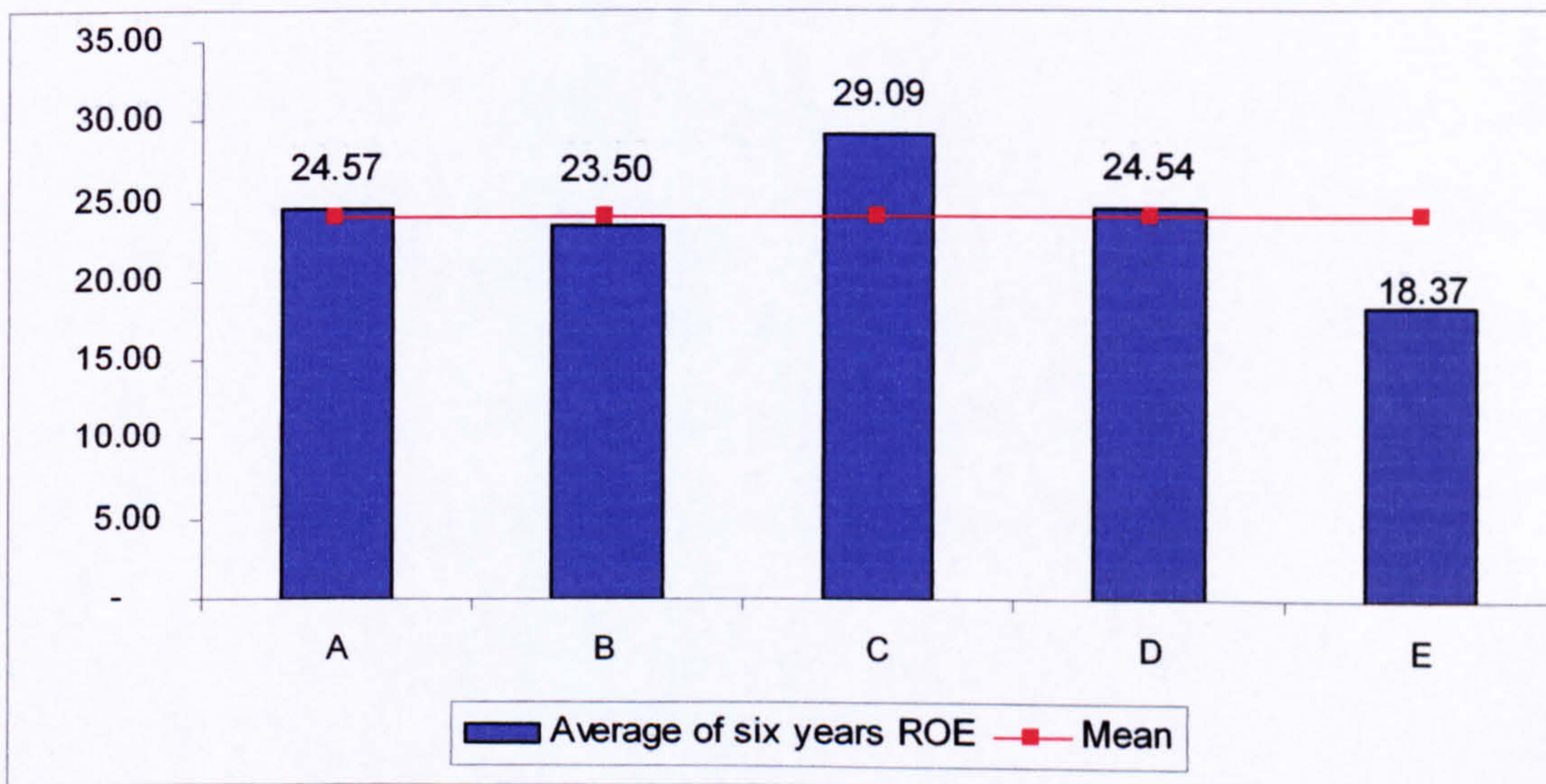


Figure 6-29 shows the leading position of bank C, since it reported the highest growth level, 29.09 %, making it the only bank that far exceeded the average growth level of 24%. Moreover the figure reveals the similarity between banks A, B, and D, which reported 24.57%, 23.50%, and 24.54% respectively, just meeting the average level. Bank E as usual was the weakest performing bank, with growth of only 18.37 on the ROE ratio.

6.5 HYPOTHESES TESTING

Once having established the reliability and validity of the instruments used in the study, the relationships between the constructs were investigated using Pearson Correlation and Multiple Regression analysis. The following subsections present the results of testing all hypotheses in this study.

6.5.1 Pearson Correlation Matrix

Pearson Correlations (r) range from -1 to $+1$. At these extremes, the correlation between the two variables is perfect, although it is negative or inverse in the first instance. A perfect correlation is one where the two variables increase or decrease by the same amount when $r = 1$.

A correlation coefficient of 0 therefore refers to a situation where no relationship exists between the two characteristics. In other words, changes in one variable cannot be explained by the changes occurring in the second variable. After defining whether the correlation is positive or negative based on the score's value, a common way of interpreting the strength of a correlation is as illustrated in Table 6-13.

Table 6-13: Defining the correlation strength or weakness

R value (+ or -)	Meaning
0 - .1 =	Negligible
.2 - .4 =	Weak
.4 - .6 =	Moderate
.6 - .8 =	Strong
.8 - .1 =	Very Strong

A commonly applied analysis to data that involve several variables is to run a Pearson Correlation Matrix of all variables and then examine it for expected (and unexpected)

significant relations. The Pearson correlation coefficient was used to measure the strength of a linear relationship among variables. Thus, measuring each correlation significant is an important analysis to clarify the level of significance of correlations.

Hence, to achieve the study objectives a Pearson Correlation Matrix was first provided to investigate the correlation among all main and sub-variables (i.e. the component of the CEFs) as illustrated in Table 6-14. Afterwards, another Pearson Correlation Matrix was offered only between the main tested independent and dependent variables (see Table 6-15).

Table 6-14: Pearson Correlation Matrix among all variables

		CEFs								Customers' Perception SERVQUAL Gap
		Enablers				Results				
		LEADERSHIP	POLICY & STRATEGY	PEOPLE MANAGEMENT	PARTNERSHIP AND RESOURCES	PROCESSES	CUSTOMER RESULTS	PEOPLE RESULTS	SOCIETY RESULTS	
CEFs	LEADERSHIP	1.000								
	POLICY & STRATEGY	.816**	1.000							
	PEOPLE MANAGEMENT	.745*	.834**	1.000						
	PARTNERSHIP AND RESOURCES	.426	.848**	.501	1.000					
	PROCESSES	.519	.506	.326	.702*	1.000				
	CUSTOMER RESULTS	.773*	.837**	.746*	.441	.502	1.000			
	PEOPLE RESULTS	.763*	.608	.865**	.394	.463	.588	1.000		
	SOCIETY RESULTS	.230	.166	.099	.225	.301	.310	.336	1.000	
	KEY PERFORMANCE RESULTS	.847**	.765*	.698	.479	.576	.502	.338	-.030	1.000
Customers' Perception SERVQUAL Gap	.661	.717*	.846**	.441	.702*	.748*	.831**	.246	.420	1.000

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Table 6-14 shows that almost all variables are positively correlated, since r values in most cases are in positive, except in the case of the Society and Key performance results.

Nevertheless, not every identified positive correlation was significant. The researcher will only consider coefficients with values above .40. This means that only moderate, strong, and very strong correlations will be accepted in this study.

The Society results criterion was the only element that seemed to have a less interaction with other variables, since, it was Society positively correlated with only four variables; Process, Customers results, People results, and Key performance results. In fact the r values of these correlations were very weak (.301, .310, .336, and .338) respectively.

Table 6-15: Pearson Correlation Matrix for the tested variables

		Enablers Criteria CEFs	SERVQUAL Gap	Customer Results	Key Performance Results
Enablers Criteria CEFs	Pearson Correlation	1			
	Sig. (2-tailed)	.			
SERVQUAL Gap	Pearson Correlation	.729*	1		
	Sig. (2-tailed)	.017	.		
Customer Results	Pearson Correlation	.577	.748*	1	
	Sig. (2-tailed)	.081	.013	.	
Key Performance Results	Pearson Correlation	.877**	.420	.502	1
	Sig. (2-tailed)	.001	.227	.139	.

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

According to the correlation matrix and the coefficient records shown in Table 6-15 it was apparent that all of the correlation coefficients among the main variables were larger than .3; this indicated that there were a significant correlations among all variables included in the three suggested hypotheses. In other words, a bank, which had a good CEFs score, tended to achieve better customers' perception ($r = .729$, $p < .005$).

Furthermore, the correlation matrix indicates that a significant correlation existed between CEFs and Key performance results ($r=0.877$; $p<. 01$). As well, a significant correlation between SERVQUAL and Customer Results criterion was established at ($r=0.748$; $p<. 05$). However, no significant relationship was found between the Customer Results and the Key performance results criteria (see Table 1).

6.5.2 Testing hypothesis 1

H1: An organisation that drives excellence internally (i.e. Enablers criteria) impacts positively on customers' perception externally (i.e. on the SERVQUAL gap).

Regression is a statistical technique that can be used to analyse the relationship between a single dependent variable and several independent variables (Hair et al., 1998). As mentioned in chapter five, a regression analysis was conducted to test the proposed hypotheses. The CEFs assessment scores (i.e. Enablers final scores) were inputted into the SPSS as independent variables, whereas SERVQUAL gap scores were taken as the dependent variable and several tables were generated, containing the required analysis. However, prior to reporting those findings, it is worth recalling here that the “R-square” gives an indication of how much Enablers scores affect the SERVQUAL gap, while the “R” statistic demonstrates how significant are the regression equations, and the t-statistics confirm how significant is each coefficient for each variable in the equations.

Table 6-16 shows that these independent factors (Enablers criteria) explained 53.1% of variance in Customers' perceptions.

Table 6-16: Regression analysis for hypothesis H1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.729(a)	.531	.473	14.85038

a. Predictors: (Constant), Enablers Criteria

The results of the regression test presented in Table 6-17 indicates that there is a strong positive relationship between the CEFs and the SQ gap ($R = .729$). Besides, this factor has explained 53.1% of variance in the customers' perception ($R^2 = .531$).

In regression analysis, in order to assess the usefulness of each variable in the model, one cannot simply compare the regression coefficient, and the t statistics provide some clue regarding the relative importance of each variable in the model. As a guide regarding useful predictors, one should look for t values well below -2 or above $+2$ (SPSS, 2001). In other words, the variables of which the absolute value of t should be equal or larger than 2, can be selected as candidate predictors.

Table 6-17: Relationship between CEFs and SQ gap

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-75.379	15.985		-4.715	.002
Enablers Criteria	.094	.031	.729	3.011	.017

a. Dependent Variable: SERVQUAL Gap

Table 6-17 is a further analysis of the regression model which explains that the variables have a significant standardised Beta weight ($\beta = 0.729$) and $t = 3.011$ at $p = .017$. The t -test results indicate a significance effect of the independent factors on customers' perception (independent factors have a significance of $t < .05$). The results of multiple regression analysis clearly indicate that the model is significant and holds well. Thus, hypothesis one was accepted.

6.5.3 Testing hypothesis 2

H2: The assessment score of the Customers' perception using the (SERVQUAL) is positively correlated with the assessment score of the Customer's Results criterion within the EFQM model.

In order to test the second hypothesis, all banks' SERVQUAL gap scores were inputted into the SPSS as independent variables while Customers' result assessment scores was taken as the dependent variable. The results are represented in Table 6-18.

Table 6-18: Regression analysis for hypothesis H2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748(a)	.560	.505	26.05914

a. Predictors: (Constant), SERVQUAL Gap

The linear regression result is illustrated in Table 6-18. The result indicates that there is a positive strong relationship between a successful SQ gap and the Customers' results criterion ($R = 74.8\%$). Moreover, this factor has explained 56.0% of variance in Customers' perceptions ($R^2 = .560$).

Table 6-19: Relationship between SQ gap and Customers' Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	132.024	14.950		8.831	.000
	SERVQUAL Gap	1.356	.425	.748	3.192	.013

a. Dependent Variable: Customer Results

The results of multiple regression analysis (Table 6-19) clearly indicate that the model is significant and holds well, since the variables have shown significant standardised Beta weight (beta=0.748) and $t = 3.192$ at $p = .013$. Consequently, hypothesis two was accepted.

6.5.4 Testing hypothesis 3

H3: Organisations that impact positively on their customers' perception externally will have healthier financial results. In other words, there is a positive relationship between the SERVQUAL gap size and the Key performance Results' criterion through the Customer result criterion.

The third hypothesis was tested by inputting all banks Customers' results assessment scores into the SPSS as independent variables while the assessment scores of the Key performance criterion results were taken as the dependent variable. The results are presented in Table 6-20.

Table 6-20: Regression analysis for hypothesis H3

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.782(a)	.632	.159	40.66518

a. Predictors: (Constant), Customer Results

The linear regression result presented in Table 6-20 indicates that there is a moderate positive relationship between a successful SQ gap and the Customers' results criterion ($R = 78.2\%$). This factor has explained 63.2% of variance in Key performance results, since $R^2 = .632$.

Table 6-21: Relationship between Customers' Results and Key Performance Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	135.402	13.101		8.447	.000
	Customer Results	1.401	.566	.821	4.643	.004

a. Dependent Variable: Key Performance Results

Further results of multiple regression analysis (Table 6-21) indicate that the model shows a significant standardised Beta weights (beta= .821) and $t = 4.643$ at $p = .004$. This

result suggests that the size of the SERVQUAL gap is very significantly related with Key performance results. Hence, hypothesis three was accepted.

6.6 SUMMARY

This chapter has presented the results of a survey involving 582 customers, evaluating five different banks. Survey findings related to all part of survey instrument were analysed and possible indications from the outcomes were highlighted.

The data collected were analysed using the SPSS package, along with standard statistical analysis techniques: Factor analysis, Pearson correlation, and Regression analysis. Analysis of variance procedures were used to assess and test the main factors that drive excellence in banking. In short, this chapter has provided an analysis of the data. However, further discussion and interpretation of the findings in the context of other empirical studies will be presented in Chapter Eight. The following chapter provides an analysis of the qualitative data generated by the case study strategy.

**CHAPTER SEVEN:
QUALITATIVE DATA ANALYSIS**

7.1 INTRODUCTION

This study used a combination of quantitative and qualitative methods, involving a survey and a case study. The application of two methods was intended to minimise the potential disadvantages of either method used individually. A case study methodology was adopted combining analysis of relevant bank documents and focus group interviews in order to track the processes undertaken by the five banks in driving Excellence. As Yin (2003b) has observed, "the case study's unique strength is its ability to deal with a full variety of evidence - documents, artefacts, interviews and observations".

Firstly, this chapter provide a brief background on each participating bank, namely, the Saudi Hollandi Bank, Saudi British Bank (Saab), SAMBA Financial Group, Riyadh Bank, and Al-Rajhi Bank.

Secondly, the chapter contains a description and analysis of the qualitative data collected via the case study strategy, with the main aim of identifying CEFs of driving excellence in banking.

7.2 PARTICIPATING BANKS

The five banks that participated in this study under the case study strategy, were selected mainly based on their relative proximity and willingness to participate, rather than being selected on a random or structured basis. This section will provide brief

background about these banks' namely: the Saudi Hollandi Bank, Saudi British Bank (Saab), SAMBA Financial Group, Riyadh Bank, and Al-Rajhi Bank.

7.2.1 Saudi Hollandi Bank

The bank began its operation in Saudi Arabia in 1926 as the oldest bank in the kingdom with a branch in Jeddah under the name of the Netherland Trading Society. For some time, as the only operating bank in the kingdom, Saudi Hollandi Bank served as the kingdom's central bank, maintaining the gold stock of the country, and processing the first oil-related transactions (SHB, 2004).

After the implementation of the Saudiization policy in the foreign banks, in 1976, ABN established the Saudi Hollandi Bank to take over its branches in the kingdom. The new bank was formed as a joint venture firm with 40 percent of the shares with ABN AMRO and 60 percent of the shares in local Saudi hands. The bank now ranks ninth among ten publicly traded banks operating in the country in terms of market capitalisation. The bank has 39 branch offices in the kingdom and employs more than 1,000 employees, and a network of 133 in-branch and stand-alone Automated Teller Machines (ATMs) (SHB, 2004). Saudi shareholders still own 60 percent of the bank's shares and ABN AMRO owns 40 percent.

7.2.2 Saudi British Bank (Saab)

The British Bank of the Middle East opened its first branch in Jeddah in 1950. Its profit was particularly dependent on the pilgrims performing Hajj during the holy months. The Hong Kong and Shanghai Banking Corporation (HSBC) acquired the British Bank of the Middle East in 1959 and in 1978 established the Saudi British Bank as a joint-stock company to take over its branches in the country (Tschoegl, 2002). As a joint venture

firm, the ownership of the SABB is 40 percent in the hands of the HSBC and 60 percent local Saudi shareholders. Nowadays, the Saudi British Bank is an associated company of the HSBC group and it operates through a network of 76 branches, which include a branch in London and 13 exclusive ladies' sections/branches employing about 2,093 people (SABB, 2005). The total assets of the bank are about SR 66 billion, making it the sixth bank among Saudi banks in terms of total assets; it is the fourth in terms of market capitalisation.

7.2.3 SAMBA Financial Group

The Saudi American Bank started operations as the first National City Bank (Citibank), opening its first branch in Jeddah in 1955. This was followed by the establishment of the second branch of Citibank in the capital of Saudi Arabia, Riyadh, in 1966. Following the Saudiization policy implemented by SAMA in the late 1970s, the Saudi American Bank (SAMBA) was formed to take over these two branches. In addition, as in all the joint venture banks in the country, the policy included management contract agreement between the bank and the Citibank, by which the bank managed and appointed the senior staff of SAMBA. In addition, the name Saudi American Bank has been changed to the Samba Financial Group and the short name has been taken as SAMBA since Sunday 4/1/2004 (Tadawul, 2005). Such a step was followed by an important instance, in June 2004, in which the foreign partner, Citibank, sold their entire shareholding in the bank to the Public Investment Fund (a Saudi public entity). As a result of this sale, the Saudi shareholders' ownership in the bank's share capital has increased from 76.44 percent to 96.44 percent as at 30 June 2004 (SAMBA, 2005).

Currently, SAMBA boasts 62 branches, 253 ATMs, three global investment centres, a branch in London and a subsidiary in Geneva (Tschoegl, 2002). It represents the second listed traded bank in Saudi Arabia in terms of market capitalisation, and it comes the first in terms of total assets with a value exceeding SR 108 billion.

7.2.4 Riyadh Bank

Riyadh Bank was formed in 1957 as the first Saudi joint-stock banking company (Al-Dukheil, 1995) although, the National Commercial Bank was founded in 1953 as a partnership firm. Like other banks in Saudi Arabia, the Riyadh Bank faced some financial and liquidation problems in 1959, which affected the performance of the bank and forced SAMA to impose some reform on it. There were some changes to the bank's board of directors as well as some of the top management. Thus, the bank has worked under the trusteeship council since then (more details of these problems are explained in a previous section). Currently, the Riyadh Bank operates through 193 branches in the kingdom, plus a branch in London, UK, an agency in Houston, USA, and a representative in Singapore. The number of the bank's employees exceeded 4,000 in December 2004 (Riyadh Bank, 2004). The Riyadh Bank comes third in terms of market capitalisation after Al-Rajhi Banking and the Investment Corporation and SAMBA group. The bank ranked the third in terms of total assets with SR 80 billion.

7.2.5 Al-Rajhi Bank

Al-Rajhi Banking and Investment Corporation has a long history of conducting operations in the kingdom. Al-Dukheil (1995) shows that, in order to understand the nature of the businesses of the bank, it is necessary to study its roots. The Al-Rajhi family started its business of money changing in Riyadh in 1940. In 1980, the company

opened its Islamic division to build up assets that would conform to the Shari'ah principles. The bank since then was operated strictly according to conservative Islamic rules.

Currently, the Al-Rajhi Banking and Investment Corporation is considered one of the largest banking corporations in the kingdom with a 100 percent Saudi capital, which started at SAR 750 million, increased to SAR 1.5 billion, increased to SAR 2.25 billion, and SR 4.50 SR billion, and currently stands at SR 6.75 billion. In addition, in 2001, Al-Rajhi was the world's largest Islamic commercial firm with assets worth over SR 37 billion (Wilson, 2004). In 2004, the firm's assets rose to reach just over SR 95 billion. The bank represents the first publicly traded bank in Saudi Arabia, being responsible for about 32 percent of the total banks' market capitalisation (Figure 4-1). Meanwhile, in terms of total assets, the Al-Rajhi Bank comes second in the list right after SAMBA with total assets above SR 108 billions.

7.3 CASE STUDY ANALYSIS

Qualitative data were obtained from the focus group interviews conducted by a case study. This section classifies the data of the focus group interviews to explore what are the common and distinctive excellence elements practised by participant banks, in order to answer research questions one and two.

7.3.1 Workshop structure

Each group began with a greeting and introduction and consent information was explained and discussed. Following that, participants were told that they and their responses would remain anonymous. A semi-structured interview guide was used to

facilitate group discussion to identify the CEF's within each participating bank. The guideline included six broad questions: (a) How does your bank drive Excellence? (b) What is the distinctive factor applied by your bank in relation to applying Excellence? (c) What have been the advantages and disadvantages to you and the bank as a result of driving Excellence? (d) What obstacles do you think inhibited driving Excellence? Additional questions were asked as necessary to expand on issues or probe into areas being discussed (Krueger, 1998).

The researcher moderated the discussion and encouraged interaction among the group. No difficulties were encountered with having employees respond spontaneously to questions. The researcher closed each group session with a summary. Each session lasted approximately two to three hours. The interview processes and the opinions of participants were recorded by note taking.

7.3.2 Participants Profile

Five focus group interviews were conducted in year 2006, on 14th Feb, 10th & 27th of Mar, and 11th & 26th of April. First two interviews for bank A C were held during working time at a special meeting room on the bank's headquarter. However, because of the numerous interruptions by the participant's subordinates during the focus grouping. The researcher to arrange for an alternative external place that insures the participants' focuses on the interviews programme. The business centre at "Riyadh Marriot Hotel" was the venue for the last three focus groups (See Table 7-1).

Table 7-1: An overview of the Focus Group Interviews (Dates, and Place)

No.	Date	Venue	Number of participants
1	14/Feb/06	Bank's Headquarter	8
2	10/Mar/06	Bank's Headquarter	9
3	27/Mar/06	Business Centre (Marriot Hotel- Riyadh)	7
4	11/April/06	Business Centre (Marriot Hotel- Riyadh)	8
5	26/April/06	Business Centre (Marriot Hotel- Riyadh)	7
Total Participants			39

The professional distribution of the participants and working years' distribution in focus group interviews from which data were collected are presented in Figure 7.1 and Figure 7-2.

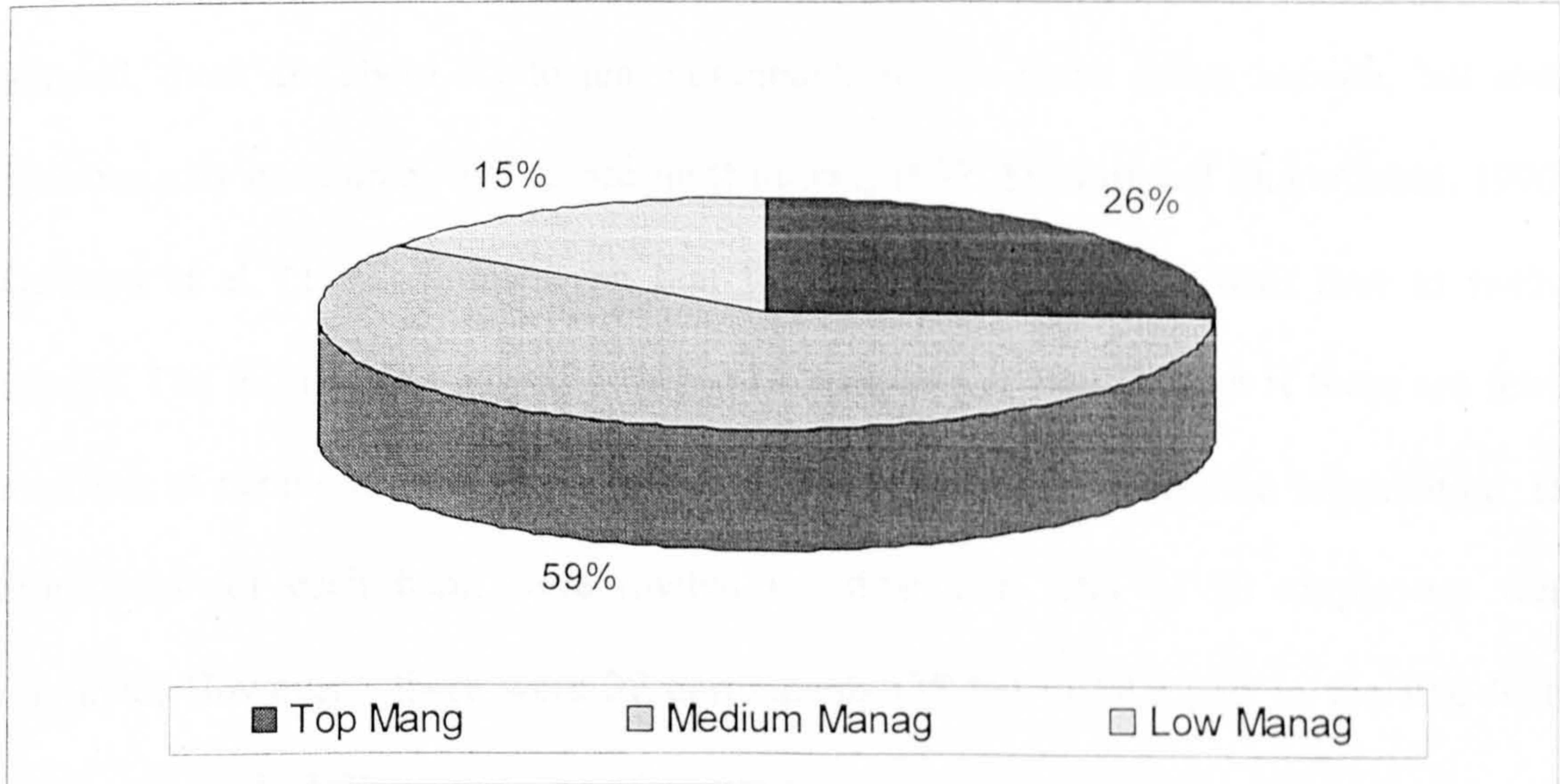
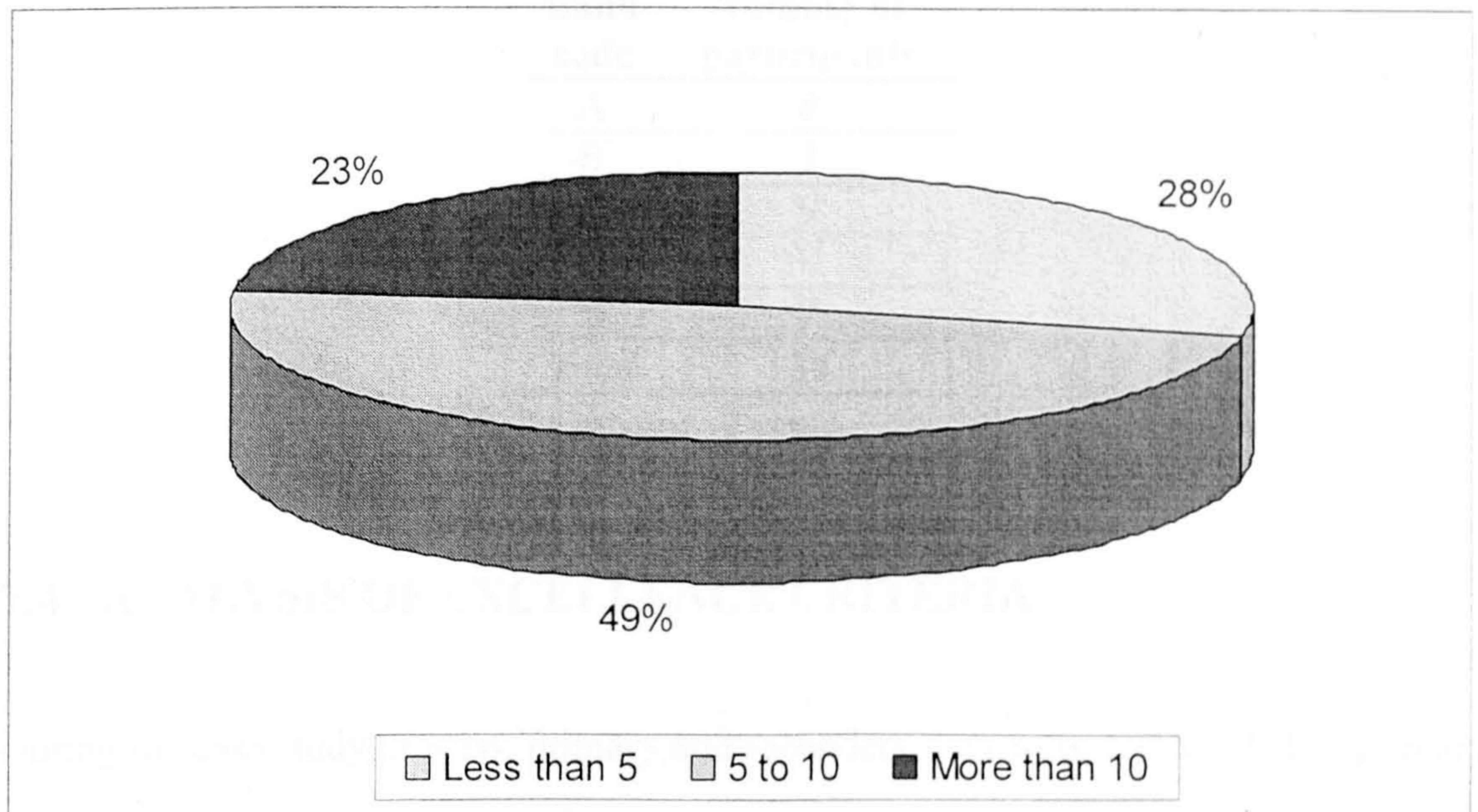
Figure 7-1: The professional distribution of focus group interviews

Figure 7-2: Participants and number of working years'

7.3.3 Size of the Focus Group

The numbers of participants also play an important role in the focus group interview, in general, there are about six to ten participants in one focus group session, but some sessions may have up to twelve people (Morgan, 1997; Stewart and Shamdasani, 1990). Dawson et al. (1993) pointed out that focus groups work well with four to twelve people. The information gained may not be adequate or rich enough if there are fewer numbers of people to interact. In this study, in order to gain sufficient information, ten employees for each bank were invited in advance a total of 50 employees were recruited, However, there were 39 participants (78 %) to take part in the five focus groups(see table 7-2).

Table 7-2: Size of the Focus Groups

Bank code	Number of participants
A	8
B	7
C	9
D	8
E	7
<i>Total</i>	<i>39</i>

7.4 ANALYSIS OF EXCELLENCE CRITERIA

During the case study process, primary and secondary data were collected. The primary data were obtained via observation and focus groups in each banks' workshops. Secondary data sources included access to internal and external documents: Excellence strategies, written material produced during the process (forms listing strengths, weaknesses and improvement actions, forms containing action plans), objectives, materials from the training sessions, final reports, external reports and improvement plans. This information was used to complement the primary data. Most gathered primary data were taped, transcribed and analysed using grounded theory and content analysis (Easterby-Smith et al., 2002). The following sub-sections will identify the common and distinctive CEF's among the participating banks, classified based on each of the EFQM model criteria. Moreover, the discussion will highlight the weaknesses that require the most consideration. Finally, it should be noted that the analysis of quantitative data gathered from the focus group interviews (i.e. the Enabler and Result scores) was represented in chapter six.

7.4.1 Leadership

The leadership criterion considers how managers inspire, drive and reflect total quality as the organisation's fundamental process of driving Excellence. Participating banks revealed that leadership in with banks has some strength. The strength revealed by the discussion in the focus groups was that all bank's leaders have clearly expressed and communicated the mission and values, and their commitment to them was made visible throughout their involvement in numerous processes and actions such as reviews, appraisals and recognition. In addition, nearly all banks' leaders showed their understanding of market changes and dynamics by extending the services the offered, and being prepared for more competition from the new rivals. Second, the researcher noticed a common theme, that senior leaders were personally involved in the development and delivery of policy and strategy, in their role as key process owners. They were actively involved in communicating policy and strategy, the progress made towards the objectives and the changes needed to achieve them. Furthermore, leaders focused on, and had direct involvement with customers and key partners. They consistently endeavoured through co-operation and teamwork to increase the organisation's added value while maximising the effectiveness of the supply chain. A third strength identified was the leaders' apparent openness and readiness for change and their use of many opportunities for identifying and driving through breakthrough improvements. These were prioritised effectively and resulted in significant business benefit. Moreover, in most cases except bank E leaders were personally driving and supporting changes through a clear, sound approach supported by comprehensive processes and project management, all of which were subject to regular review and

improvement. Change management guidance and lessons learnt were disseminated throughout the organisation.

On the other hand, some weaknesses or areas for improvement were identified during focus group discussions. First, it was clear that some banks A, B, and D were inefficient in establishing their vision for the future; thus, was their medium/long term strategy needed to be developed more. Another weakness considers being the lack of direct engagement with and feedback from customers/supplier/partners revealed in some reviews. Finally, the lack of a structured approach to leaders' involvement outside the organisation was a general limitation for all participating banks.

7.4.2 Policy and Strategy

The next criterion within the EFQM Model outlines the organisation's policy and strategy with a view to mission, values, vision and strategic direction, in particular how the concept of total quality is reflected. Participant banks showed a moderate strength relating to the Policy and strategy criterion.

Nonetheless, bank C was very distinctive developing its Policy and Strategy; focus group discussion revealed that the bank had recently applied a very interesting approach for developing its strategy. The CEO, 7 directors and more than 50 executives were booked to travel away to another city in a private plane to spend about three days in the same hotel at the same floor, having lunch and dinner together. The main objective of this trip was to sit as one group, away from the daily work pressure, and develop an excellent corporate strategy, with a clearly articulated process (incorporating scenario planning), intended to leverage the key features of the organisation's operational

flexibility and capability, to catch new opportunities offered by technology and by the emerging needs of customers.

Another strength that was shared by all banks was their clear customer oriented strategy including, the way they regularly collected comprehensive data about their customers' needs in the various areas, including technology and additional services market developments, competitor performance and offers. Also, most banks had set up a number of internal operational performance measurements, with targets, benchmarks and trends mapping, and an array of processes and initiatives to capture relevant external information.

A further excellent practice applied by bank A and identified by the researcher was that policy and strategy was extensively communicated through the organisation, and deployed through a rigorous framework of key processes. These processes were regularly audited for integrity and reviewed for improvement.

In contrast, there were a number of areas for improvement relating to this criterion among participant banks. First, the higher management team at most banks established and managed strategies that were unbalanced in the weight given to stakeholders. For example the impact on society, or so-called social responsibility was not one of their priorities. A further weakness among participant banks was their weak ability in reviewing whether the strategy development and deployment processes sufficiently addressed the medium and long term customer requirements, and were sufficiently speedy and timely in meeting the needs generated by a competitive environment.

A very critical weak practice deployed by all participating banks, was that most benchmarks were based on average performance in the best in local industry. Mean while more international banks are getting into the market (as indicated in chapter 4). Therefore, local benchmark data is clearly insufficient. More competitive international data such as top performance by world-class organisations needs to be researched and used for comparison (benchmark) purposes.

The organisation could consider how, and how well, it assesses the efficiency and effectiveness of the overall approach to formulating and deploying policy & strategy and how, in particular, explicit stakeholder input is used to review some of the processes described.

All five focus group sessions revealed that bank C holds a distinctive competitive advantage which is the commitment to deliver only products or services that are in compliance with the Sharia Board's ruling. Therefore, bank C considered its customers' values the most, as a result of an excellent envisioning process.

7.4.3 People Management

People management within the EFQM Model highlights how the organisation's people are managed and how they are encouraged to reach their full potential to improve the service. All the managers interviewed demonstrated a commitment to their employees and realised the importance of encouraging people to realise their potential.

Focus group interviews exposed that most banks had a Human Resources strategy fully integrated with the overall company policy and strategy, except bank E. It was based on a wide array of external and internal sources of information and is regularly reviewed.

Furthermore, Banks A, B, and C had a comprehensive capability review mechanism in place to help ensure skills evolved to meet their business needs through ongoing measurement and monitoring of employee performance.

All banks apart from bank D had a company wide employee survey on an annual basis. Banks A, B, and C had been successfully conducted this activity annually, with a very good acceptance by the people. An internationally active service organisation conducted these surveys and offered appropriate benchmarks. It is clear that feedback obtained through surveys and meetings was acted upon to improve process effectiveness. The banks demonstrated their concern for preserving and improving their human resources through adequate remuneration, redeployment, individual and team recognition, and an adequate set of benefits. Satisfaction measurements addressing these elements were in place.

Within the criterion relating to people management, an important factor is the involvement, empowerment and recognition of employees. Most employees who attended the focus groups felt that they were actively encouraged to make suggestions in their work environment. However, few of them felt that their opinions were valued by their managers (employees of banks A and B). The Involvement and Empowerment agenda for the two banks A and B was promoted effectively in many ways, such as teamwork, particularly Customer Teams. Employees were involved in the processes aimed at improving their own effectiveness through ad-hoc meetings, the appraisal process and their work.

The first critical weakness identified by the focus group discussion was the absence of a sufficient effort to ensure effective communication by establishing several channels for

both 'top down' and 'bottom up' communication. Moreover, there was little evidence of an approach to horizontal communication. However, banks A, and C presented a better picture through the existence of their wide range of communication channels (i.e. a quarterly magazine, annual bank meeting, and efficient intranet). Interestingly, banks A, B, and E showed very strong social and cultural activities. For example, bank B had an exclusive fitness club, where employees and their families enjoyed spending their free time.

The second significant weak area that all participated banks revealed was deficiency establishing a sound, integrated approach that would develop teams as well as individuals, based on their characteristics. Finally, the unclear appraisal process was a common weakness at all banks. Moreover, at banks C, D, and E the appraisal system appeared not to be linked to the reward and recognition schemes.

7.4.4 Partnership and Resources Management

The resources criterion within the EFQM model focuses on how the organisation manages resources effectively and efficiently. Remarkably, all banks demonstrated that they were developing and implementing financial strategies that supported the all over policy and strategy. Further, the financial planning cascaded the financial stakeholders' expectations throughout all banks. For instance, banks A, B, and C developed and introduced different methodologies for managing risks to financial resources at all levels of the organisation. For example, for financial risk related to borrowing and lending money, banks A, B, and C had a particular committee influenced by world-class best practice, which met on a regular basis to monitor progress and review their strategies. In addition, banks A and B had utilized the Activity Based Costing model for

more than five years, while banks C and D had implemented this concept for less than three years.

Under the criterion of resources management, technology was also considered. This is an area which was deemed a priority by all participating banks; all banks seemed to have advanced IT infrastructure and systems. Thus, the Saudi banks generally had received many IT rewards and recognitions. Specifically, Banks A, B, and C were the recipients of on most of these awards. These banks relied on IT to differentiate themselves from competitors by offering customers technically innovative solutions. For example the “on line trading” on the Saudi Stock market on the year 2004 was possible only through banks A, and B, although other banks caught up later (i.e. banks C, and D. Besides, all banks had a supply chain with remarkable value added for customers, supported by state-of-the-art IT, and continuously improved. These provided a significant competitive advantage to all banks. Furthermore, a standardised IT environment, including software and databases, was established, enabling fast and effective communications, knowledge sharing, fast implementation of IT infrastructure changes and effective control of costs.

Nevertheless, there was little evidence that the effectiveness of technology strategy was assessed other than by customer feedback. For example there were no best practice considerations, managers’ feedback etc. Moreover, this huge IT investment had not enabled communication and, knowledge-sharing which is considered another critical deficiency.

One more identified weakness among all participant banks was the extra focus on the resources management accompanied by a low level of understanding of and belief in the

partnership concept, e.g. joint ventures, and strategic alliances. Hence, all banks showed very limited approaches in developing and managing this area of excellence.

Regarding managing the buildings, equipments and materials participant banks showed a similar performance. There were no described approaches to building management; it was not clear how buildings were optimised and maintained. Consequently, all banks failed to link and integrate their strategic business plans to the building management practice; for example, banks B and C in 2006 were applying a rapid expansion strategy that was not fully linked to building management. As a result, space problems had emerged.

Banks C and E demonstrated the absence of health, safety and environmental programmers. Although the other banks were in a better position, however, they were still far from applying excellent practices relating to this matter. For example, no initiatives had been taken on consumption and optimisation of utilities or reducing and re-cycling waste. As well, banks demonstrated a very low effort regarding the management of intangible assets.

7.4.5 Process Management

The subsequent criterion, process management, considers how the organisation identifies, manages, reviews and improves its processes. Generally, all participating banks showed a relative weakness in this criterion. Focus group discussions revealed that banks A, and B had both made good efforts responsibility in this respect. Most of their key processes had been systematically identified and reviewed, had been assigned to senior managers and they were managed systematically with the assistance of world-class standards. Further, both banks provided clear evidence that they were reviewing

their process performance on a regular basis, and corrective actions were taken if performance was not at the targeted level. Moreover, process improvements, both incremental and breakthrough, were considered through a number of comprehensive means, including research with many best-in-class and world-class customers and partners. Bank A was distinctive in showing great flexibility in its processes, allowing the provision of services in line with customers' requirements. The adopted decentralised decision strategy was what facilitated such great flexibility. In addition, banks A, and B had a comprehensive set of processes for managing customer relationships, through Customer Teams, account management, a complaint management system and the presence of resident planners on customer premises. Nonetheless, during the process design phase the engagement of external stakeholders (i.e. partners and suppliers) was relatively very weak. Further, It was not clear how interface issues were resolved with external stockholders. Ultimately, focus group discussions revealed that banks C and E suffered the most from the lack of process management. A lack of clear process identification and ownership prevailed within both banks.

Another limitation shared by most participating banks was the absence of a clear approach that allowed people to be trained to perform on new or changed processes; only bank A had considered this matter through communicating process changes to all employees via email, briefings, common data base, and updated IT applications, while external stakeholders were informed by the website, monthly statements (customers), and newsletters. Finally, the lack of innovation and creativity in developing and improving processes were a common deficiency among all banks.

7.4.6 Customer Satisfaction

All those interviewed were obviously involved in the setting of customer-oriented goals within their individual departments and they each recognised who were the various stakeholders within the organisation. Each focus group interview demonstrated a clear commitment to the customer. Moreover, all banks were using comprehensive techniques of measuring and monitoring customer satisfaction, involving regular Customer Surveys, and inquiry reports.

In 2005, targets had been met in most cases except bank E. All banks' results presented showed a positive trend for the last three years, but only banks A, and B had successfully sustained good performance in the last five years. In addition, banks A, B, and C had received a number of customer services awards. In general, the results shown addressed relevant areas and customers, and were appropriately segmented by customer (perception results) or site (performance results).

Benchmarks were used for targets against industry average. The practice of benchmarking revealed that banks A, B, and C were performing beyond the industry average, while banks C, D, and E had performed below the industry average for the past three years. The reasons behind this low performance were investigated and summarised in two main factors. First, these banks were not considering the value of making comparisons and establishing benchmarks based on the performance of world-class organisations. Second, they were setting low target margins against the industry average while other outperforming banks set challenging targets.

It is clear that generally, improvements have been achieved. However, these banks failed to provide evidence to illustrate which approaches accounted for their results.

Moreover, these banks made no clear link between the performance indicators and perception measures. Furthermore, all banks considered the value of measuring customer satisfaction, in isolation from customer loyalty.

Banks A and B were very successful in reducing the number of complaints, Moreover, their percentage of resolved cases had increased rapidly.

7.4.7 People Satisfaction

People satisfaction is the next criterion within the model and this refers to the extent to which the organisation is satisfying the people employed in the organisation. The participating managers were asked how they monitored employee satisfaction and the answers from banks A, B, C, and D were very similar. The answers included having structured and externally managed regular employee surveys in which, the level of employee participation was high. Almost all results showed positive trends and/or sustained good employee satisfaction in the last three years. However, some banks C, D, and E did not show an understanding of what caused those results. Targets were presented for all measurements, appeared appropriate and in 2005 had been met in most cases. Benchmarks were presented for all people satisfaction measurements, and the results generally benchmarked favourably with the world-class data. However, banks C and E had chosen to benchmark against the industry averages.

Clearly all banks except banks A and B failed to demonstrate the impact of training on the final employee performance.

7.4.8 Society Results

Impact on society is the eighth criterion within the model and this concerns what the organisation is achieving in satisfying the needs and the expectations of the community at large. All managers and seniors, who participated on this event, declared regretfully that their banks had done nothing for the local society. Yet, bank A was as usual in a better situation, since it had been running a few small social programmes (e.g. an educational scholarship). However, bank A had failed to establish an appropriate approach set, targets, or conduct benchmarking activity concerning this criterion.

7.4.9 Key performance Results

The final criterion within the EFQM model concerns key performance results or business results and concentrates upon what the organisation is achieving in relation to its planned objectives and in satisfying the needs and expectations of shareholders. Business results relate to whatever the organisation has deemed are essential, measurable achievements for its success.

In a very growing market environment, most of the key results presented showed favourable trends and sustained good performance in the last two years, and some of them throughout the period investigated. For the past five years all banks had shown a positive trend. However, banks C and D had experienced felicitating performance due a bad debt problem and management changes.

All banks showed targets for all measures except bank E where some main targets were missing. In 2005 all banks' performance met these targets in about 80% of the measurements presented. In addition, benchmarks were presented for about 75% of the measurements, and met by performance in 2005 in about 90% of cases. However, nearly

all participating banks failed to provide evidence to illustrate how the results were related to the approach taken.

All banks indicated that the 2006 profit goal would be achieved by the addition of new customers as well as the growth of existing ones. However along with the need to closely monitor the gradually freer market and the pressure from the new rival, banks could consider whether the scope of their existing used measures is sufficient.

7.5 SUMMARY

This chapter has provided a detailed description and discussion of the qualitative primary data collected via the case study strategy. This involved five Saudi banks: namely, the Saudi Hollandi Bank, Saudi British Bank (Saab), SAMBA Financial Group, Riyad Bank, and Al-Rajhi Bank. The findings were derived from feeding the research questions into the developed theoretical framework. The CEFs to drive excellence in banking were identified.

The following chapter provides a comprehensive discussion of the analysis of the results, as well as combining the findings of both the quantitative and qualitative studies that have been presented in Chapters Six and in this chapter, in order to obtain triangulation between the quantitative and qualitative data, and the relevant literature

CHAPTER EIGHT:
DISCUSSION AND MODEL PROPOSAL

8.1 INTRODUCTION

This chapter provides a comprehensive discussion on the analysis of the results and findings of the quantitative and qualitative data presented in Chapters Six and Seven and triangulation between the quantitative and qualitative data, with scrutiny of relevant literature. This study was conducted with the following objectives:

- To study the relevance of SQ and Excellence in the banking industry.
- To identify the CEF's that affect Service Excellence in the financial services.
- To discuss various models of SQ and Excellence and to identify common generic factors.
- To compare key drivers of Service Excellence and key enablers that impact it using a sample of different banking institutions (qualitative). Further, to determine how good they are in driving Excellence.
- To evaluate the conceptual aspects of service provision from a user point of view (using SERVQUAL).
- To investigate how driving excellence internally is correlated to customers' perception externally.
- To build a proposed model of Service Excellence in the banking industry.

In addition, this chapter provides comparisons and external validation by comparing with previous empirical studies regarding the EFQM excellence model and SERVQUAL in banking. Following from that, a proposed generic model for driving Excellence in banking is suggested, based on an integrated perspective.

8.2 RESEARCH FINDINGS

The analysis of the collected data revealed several findings that are demonstrated in the following sections.

8.2.1 The EFQM model causality structure

Primarily, it is vital to note that the proposed causal structure of the EFQM Excellence Model is based on logical assumptions, which can be divided into two main claims. First, there is an internal correlation between the Enabler criteria. The same claim has been made regarding the Results criteria (EFQM, 1999). Second, the Enablers criteria have a direct influence on the Results. The fundamental premise of the model is that excellence in enablers will lead to superior results (EFQM, 2004).

Base on the above two claims, discussion regarding this issue will be divided into three parts. First, the correlation among the Enablers criteria will be discussed. This is followed by a discussion about the correlation among the Result criteria. Finally, it will be discussed whether Enablers are correlated with the Results criteria.

8.2.1.1 Enablers correlation with other enablers

This study indicates that correlations do exist among the Enablers criteria. This judgment has been supported by two different methods: firstly, statistically, referring to the Correlation Matrix presented in Chapter Six (Section 6.5.1); secondly, through the data collected from the focus interviews. Each method will be discussed further.

In order to facilitate this part of the discussion, the Correlation Matrix presented in Chapter Six (Section 6.5.1), is reproduced in Table 8-1. However, this time it is restricted to the Enablers criteria.

Table 8-1: Enablers correlation with other enablers

		Enablers				
		LEADERSHIP	POLICY & STRATEGY	PEOPLE MANAGEMENT	PARTNERSHIP AND RESOURCES	PROCESSES
Enablers	LEADERSHIP	1.000				
	POLICY & STRATEGY	.816**	1.000			
	PEOPLE MANAGEMENT	.745*	.834**	1.000		
	PARTNERSHIP AND RESOURCES	.426	.848**	.501	1.000	
	PROCESSES	.519	.506	.326	.702*	1.000

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Since the Enabler dimension consists of five criteria, there are ten correlations to be investigated. Noticeably, Table 8-1 illustrates that all Enablers criteria are positively correlated. Only two correlations out of the ten investigated have a weak coefficients; these are the relationship between Leadership and Partnership & resources management, and the relationship between People management and Process. All other eight correlation coefficients are reasonably high; moreover, some are significant at the 0.01 level (See Table 8-1 for examples).

As expected, leadership was the variable most highly correlated with others. Leadership has significant correlations with Policy and Strategy, and People management. These findings are supported by many previous studies (e.g. Dijkstra, 1997; Osseo-Asare, 2000; Russell, 2000).

Finally, the analysis result confirms the EFQM (1999) suggestion that “leadership drives policy and strategy, people management and partnerships and resources, and these three elements influence the results through suitable processes”.

8.2.1.2 Results correlation with other Results

The interdependent nature of the quality results is present in the bottom line of the EFQM Excellence Model, whose approach is that excellence depends on balancing the needs of all stakeholders (EFQM, 2003)

The Results criteria Correlation Matrix illustrated in Table 8-2 reveals that positive moderate correlations exist between Customer results and both the People and the Key performance results criteria. The other combinations have weak or negligible correlations. However, none of the identified correlations are significant.

Table 8-2: Results correlation with other Results

		Results			
		CUSTOMER RESULTS	PEOPLE RESULTS	SOCIETY RESULTS	KEY PERFORMANCE RESULTS
Results	CUSTOMER RESULTS	1.000			
	PEOPLE RESULTS	.588	1.000		
	SOCIETY RESULTS	.310	.336	1.000	
	KEY PERFORMANCE RESULTS	.502	.338	-.030	1.000

Thus, this study indicated that Results criteria are correlated to each other. This conclusion is supported by Oakland and Oakland, (1998) who believe “that empirical evidence supports significant interrelations between the result elements, where results on one level contribute to outcomes on others”. Moreover, Ghobadian and Woo (1996) confirmed in their study “that the structure of the EFQM model highlights an internal logic between the result elements. It assumes that customer results, people results and society results will, together, ultimately imply excellent key performance results”.

Finally, Westlund (2001) explicitly recognises these linkages between the result criteria in order to develop a “society environmental index”.

8.2.1.3 Enablers correlation with the Results

The EFQM (2002), whilst defining the EFQM model, stated that “excellent results with respect to performance, customers, people and society are achieved through leadership driving policy and strategy, partnerships and resources, and processes”. Investigating this statement was one of this study objectives. Hence, the Enablers and Results Correlation Matrix was generated and is shown in Table 8-3.

Table 8-3: Enablers correlation with the Results

		LEADERSHIP	POLICY & STRATEGY	PEOPLE MANAGEMENT	PARTNERSHIP AND RESOURCES	PROCESSES
Results	CUSTOMER RESULTS	.773*	.837**	.746*	.441	.502
	PEOPLE RESULTS	.763*	.608	.865**	.394	.463
	SOCIETY RESULTS	.230	.166	.099	.225	.301
	KEY PERFORMANCE RESULTS	.847**	.765*	.698	.479	.576

The Matrix reveals that, apart from the “Society criterion” all criteria are positively correlated with coefficients higher than .40. In addition, some of the identified positive correlations are very significant.

Analysis reveals that enabler criteria are positively correlated with the result criteria Customers, People, and Key performance results. This supports the EFQM assumption and is consistent, fully or partially, with the findings of many studies (e.g. Zairi et al., 1994; Oakland and Oakland, 1998; Eskildsen, 2000; Prabhu, 2000; Sureshchandar,

2002; Yavas, 2004). Correspondingly, Prabhu et al. (2000) found three strong associations: first, between people and people results; second, between leadership and customers, through the assurance of good training for employees (people); and finally, between people-related issues and operational performance measures (key performance results).

8.2.2 Confirmation of SERVQUAL reliability and validity

Concerning the expectation items, the reliability coefficient for each of the five dimensions ranged from 0.855 to 0.886. On the other hand, the reliability coefficient for each of the five dimensions for the perception items ranged from .723 to .911. This result is consistent with previous study findings (e.g. Carman, 1990; Finn and Lamb, 1991; Babakus and Boller, 1992; Babakus and Mangold, 1992; Headley and Miller, 1993; Taylor and Cronin, 1994). The lowest reliability is 0.59 reported by Finn and Lamb (1991) and the highest reliability is 0.97 reported by Babakus and Mangold (1992).

Regarding the instrument's validity, a Varimax technique for rotated component analysis was used with a cut-off point for interpretation of the factors at 0.50 or greater. All items were loaded onto the expected dimension for which they were designed. Factor loadings were all higher than 0.5 so that each item loaded higher on its associated construct than on any other construct. This result is consistent with previous study findings, proving the SERVQUAL's convergent and discriminant validity (Parasuraman et al., 1985; Parasuraman et al., 1991; Parasuraman et al., 1994; Yavas, 2004).

8.2.3 Driving Excellence internally impacts positively on customers' perception externally

The first research hypothesis concerned whether customers perceive excellent banks differently or not. The aim was to investigate the relationship between the CEFs and the customers' perceptions. In Chapter Six (Section 6.5.2) this hypothesis was tested. The result of the correlation and regression analysis indicated that this hypothesis should be accepted. Consequently, this study confirms the impact created by the CEFs (Leadership, Policy and strategy, People management, Partnership and Resources management, and process management) on the customer's side. This conclusion confirms numerous empirical studies. The following few paragraphs will illustrate the previous similar findings for each CEFs element.

First, the positive correlation between leadership and customers was confirmed by Zeithaml et al., (1990); Rust and Oliver, (1994); Edvardsson et al., (1994); Milakovich, (1995); Schneider and Bowen (1995); Lovelock, (2001); Berry, (2004); and Bou-Llusar et al., (2005). Second, the established positive correlation between the Policy and Strategy as a part of the CEFs and the customer perception was reported and confirmed by many earlier studies (e.g. Zeithaml et al., 1988; Ittner and Larcker, 1997; Quazi and Padibjo, 1998; Calvo-mora et al., 2005). Third, the influence of People management on customers is verified by Deming, (1986); Zeithaml et al., (1996); Eskildsen and Dahlgaard, (1999); Samson and Terziovski, (1999); and Bou-Llusar et al., (2005). Fourth, the study revealed that Partnership and Resources management is positively correlated with Customers results, which is consistent with the findings of the following studies: Samson and Terziovski, (1999); Nilsson and Samuelsson, (2001); Kaynak, (2003); and Calvo-mora et al., (2005). Fifth, the revealed positive correlation between

Process management and Customers results is consistent with previous studies (Samson and Terziovski, 1999; Flynn and Saladin, 2001; Nilsson and Samuelsson, 2001; Yasin et al., 2004; Bou-Llusar et al., 2005).

Ultimately, as illustrated in Chapter Three, the CEFs are considered as a part of the TQM elements. Therefore, Juran (1988), Schmidt and Finnigan (1992), and Spechler (1991) claim that the TQM elements are capable of generating value in the firm through an improved understanding and satisfaction of customer needs. Furthermore, Waller and Ahire (1996) confirm that with many organisations striving to implement TQM, it becomes paramount that managers see a link between the quality of their products and their customers' perceptions of the quality of their products.

8.2.4 Customers' perception is positively correlated with Customers results

The second research hypothesis proposed that there is a positive correlation between Customers' perceptions and Customers results. This hypothesis was tested via different methods in Chapter Six (Section 6.5.3). The result of the correlation and regression analysis indicated that this hypothesis was accepted.

This conclusion is consistent with many studies (Blanchard and Galloway, 1994; Oliver and Bearden 1997; Kandampully, 1998; LeBlanc and Nguyen, 1988; Edvardsson, 1994)

8.2.5 Customers results is positively correlated with Key performance results

The third research hypothesis presupposed that there is a positive correlation between Customers results and the Key performance results criterion. This hypothesis was tested

using different methods in Chapter Six (Section 6.5.4). The results of the correlation and regression analysis indicated that this hypothesis was accepted.

This conclusion supports many studies that claimed the influence of SQ and customer satisfaction on financial outcomes (Rust and Zahorik, 1993; Rust et al., 1995; Danaher and Rust, 1996; Hallowell, 1996).

The consequence of quality to firm's outcomes is now well established in the academic literature. It has been demonstrated that higher quality results in higher stock prices (Aaker and Jacobson, 1994), higher corporate performance (Buzzell and Gale, 1987; Easton and Jarrell, 1998), and higher market value of the firm (Hendricks and Singhal, 2001). In the customer satisfaction/SQ arena, aggregate market studies have shown that higher customer satisfaction leads to better financial returns (Hallowell 1996)

8.2.6 Significance of Vision and Values

This study revealed that Vision and Values are two critical issues relating to service excellence. This theme was identified by the researcher after long investigation and analysis of the qualitative data obtained via the case study strategy, as a result of the researcher's effort to find an explanation for one fact revealed from the following table:

Table 8-4: The aggregate ranks of all banks

Ranking Base	Bank-A	Bank-B	Bank-C	Bank-D	Bank-E
CEFs scores	2	1	3	4	5
SQ Gap size	1	2	4	3	5
Lagging Measures	2	3	1	4	5

1= Top and most favourable

5= Bottom and most unfavourable

Table 8-4 demonstrates the order of the five banks based on their reported scores in each assessed element. Everything seems to be in line with the study supposition. The

higher CEFs rank leads to a higher SQ gap rank, which finally leads to a healthier financial result. Nonetheless, the analysis of the lagging measures in Chapter Six (Section 6.4) indicated an extraordinary position of bank C ranked as the first, which is not consistent with its moderate ranking on the CEFs and SQ. Focus group discussions (see Chapter Seven) offered a sound explanation. All participating managers pointed out that bank C holds a distinctive competitive advantage, that is, the way the bank considers its customers' values, as a result of excellence in the visioning process.

This conclusion is supported by many academics as well as practitioners. For instance, in an interview with the editors of the Harvard Business Review, Frederick Smith, Chairman and CEO of FedEx, discussed the role of leadership and vision and values. He stated that the primary task of leadership is to communicate the vision and the values of an organisation. Second, leaders must win support for the vision and the values they articulate. And third, leaders have to reinforce the vision and the values (Bell, 1998).

Moreover, Richards (1995) described the value of vision in leadership. In his book, *Artful Work*, he described leading as artistry, as a metaphysical creative process that manifests itself in physical outcomes. Vision "is the spiritual energy that works through the leader in the same way it works through a potter at the wheel" (p. 108). Leader and potter both create work that speaks of their inner world, of their meaning and values.

As well, Nanus (1995) argued that values influence the questions one asks about possible directions. DePee (1989) in his book *The Art of Leadership* argued that "The only kind of leadership worth following is based on vision" (p. 133).

Ultimately, numerous studies have considered vision as significant to leadership and strategy formulation (e.g. Prahalad and Doz, 1987; Day and Lord, 1988; Sashkin, 1988; Kotter, 1990; Hunt, 1991).

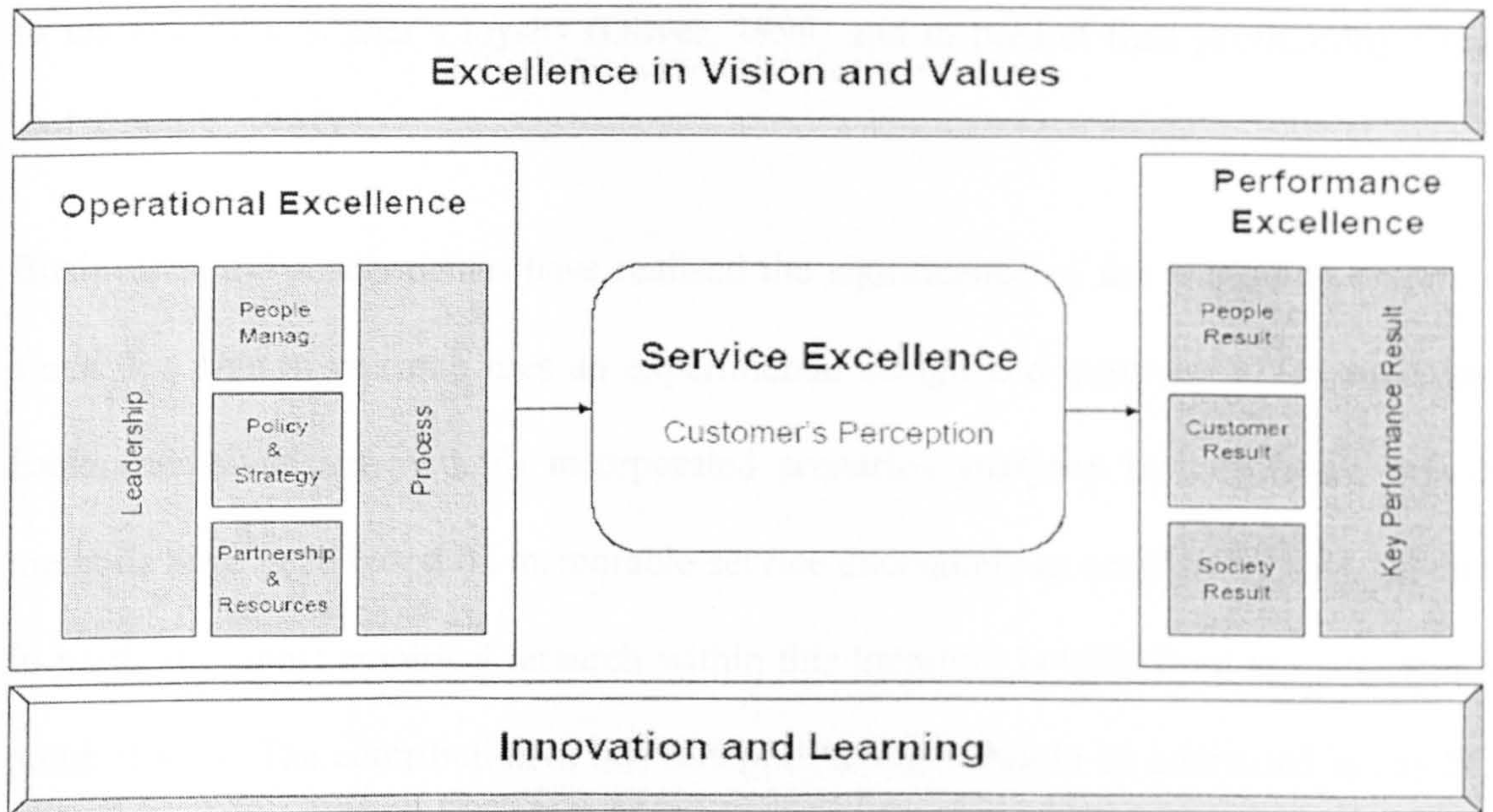
8.3 PROPOSED GENERIC MODEL FOR INTEGRATED SERVICE EXCELLENCE IN BANKING

This study has highlighted a number of elements found to be critical in driving excellence in banking which follows a holistic approach. It is thus appropriate, and beneficial, to combine these elements into a generic model that can provide a description of the role of these elements in banking excellence. Based on comprehensive discussion and interpretation of CEFs identified through the survey questionnaire, and primary case studies, as discussed in Chapters Six, Seven, and Eight, as well as the literature review in Chapters Two and Three, this study has derived a proposed integrated model that can help in achieving excellence in banking.

The proposed model includes several elements of success in banking which were identified and discussed earlier in Chapters Six, Seven, and recently in this Chapter.

Figure 8-1 illustrates the proposed model. All identified CEFs were classified into four main clusters labelled as: Excellence in Vision and Value, Operational Excellence, Service Excellence, and Performance Excellence. Each of these clusters will be explained in the following sub-sections.

Figure 8-1: The integrated proposed model for Excellence in Banking



8.3.1 Operational Excellence

Leadership, Policy and Strategy, Partnership and Resources management, and finally Process management are part of the identified CEFs in this study. A common theme among these elements is their close relation to the internal operational activity inside the firm. Consequently, the researcher described them as the “Operational Excellence” elements.

8.3.2 Service Excellence

In the Marketing literature, many theories and models about SQ developed, for example, the gap theory model of SQ has (Zeithaml et al., 1990) which identifies the gaps between a customer’s expectations and perceptions. Furthermore, this literature is concerned about issues such as customers’ delightedness (Oliver, 1999), customers’ disappointment (Oliver, 1999; Zeelenberg and Pieters, 1999), customers’ behavioural intentions such as return or exit (Smith and Bolton, 1998), and positive or negative

word-of-mouth communications (Anderson, 1998). All these issues have been modeled to understand customer's loyalty (Oliver, 1999) and to predict firm profitability (Rust and Zahorik, 1993).

Businesses and academicians have realised the significance of the marketing research, since this type of research uses an experimental design and customer recall methods. Experimental design methods incorporated scenarios analysed by customers. Recall methods have been based on memorable service encounters as recalled by respondents. In particular, most empirical research within this literature is built from the customer's point of view. The contribution of this school of thought should be addressed in any SQ initiatives. Consequently, the proposed model of excellence in banking as shown in Figure 8-1 has incorporated the principles of this school of thought regarding customers.

8.3.3 Performance Excellence

The main objective of EFQM model is to achieve balanced stakeholder satisfaction, often referred to as business excellence. The European Foundation for Quality Management and the European Organisation for Quality define business excellence as "The way of working which enables an organisation to achieve balanced stakeholder satisfaction so increasing the probability of long term success" (EFQM, 1999).

The proposed model offers a strong stakeholder-focused approach which is at the heart of everything that banks strive for. Most, if not all, banks aim to put customer at the heart of every provided service whilst considering other key stakeholders, such as shareholder, employers, partners, regional/local communities and governmental bodies. In banking the client relationship often goes far beyond what might traditionally be viewed as a customer relationship, customers in banking seen as main fund supplier.

This means that unless banks are driven by a way of working that looks inside at what is being done and how it is being done for all key stakeholders, then it is unlikely that continual improvement which meets or exceeds stakeholder's expectations, could be achieved and sustained. Consequently, the proposed model of excellence in banking as shown in Figure 8-1 has included this critical element.

8.3.4 Excellence in Vision and Values

Some authors have supported the EFQM model approach by considering vision as an attribute of leadership (Sashkin, 1988; Hunt, 1991) in which a "visionary leader" alters an organisational culture to bring others to understand, accept, and carry forward his or her plans for the organisation. Nevertheless, others have viewed vision as one of the critical tasks top organisational leaders perform (Pearson, 1989; Phillips and Hunt, 1992) and as a demonstration of leadership competencies (Sashkin, 1992). Vision may also represent a pattern of organisational values that underlies a unique visionary pattern for an organisation's future (Greenwood and Hinings, 1988; Kouzes and Posner, 2002).

To conclude, Vision and Values within the EFQM model are exposed under the leadership criterion. Nonetheless, this study proposes a model that detaches both elements from the Leadership criterion and addresses them separately as one of the main drivers of excellence in banking. This is for two reasons: first, according to this study findings, both issues are vital and have huge influences on banks' performance; second, the two elements have an influence on all of the model's components. Therefore, both should be considered when managing all stakeholders while driving excellence in banking.

8.3.5 Innovation and Learning

Organisational performance is maximised when it is based on the management and sharing of knowledge within a culture of continuous learning, innovation and improvement. The proposed model embodies the principle of self-assessment. The bank would learn from feedback by reviewing impact of strategies and actions, trends in results, performance against target and by comparing with best-in-class through benchmarking.

8.4 SUMMARY

This chapter presents the key findings and analysis of data derived from integration of different data sources: case studies, survey questionnaire, firms' documents, and archival records, presented in Chapters Six, Seven and Eight. The interpretations of the results have been guided by previous empirical studies in the context of scrutiny of the relevant literature review.

Moreover, this chapter has identified a series of CEFs that must be carefully considered to ensure excellence in banking. Those factors have been divided into four main clusters labelled as: Excellence in Vision and Values, Operational Excellence, Service Excellence, and Performance Excellence.

The chapter also presents a proposed model developed to help in enhancing excellence in banking. The model is primarily based on the findings of the quantitative and qualitative studies conducted among five banks and their customers. The model is expected to be useful to a wide range of service organisations, since it provides a set of excellence elements that suit any business situation. In addition, in constructing the

model, consideration was accorded to the objective of structuring it to be of as much practical value as possible. Such an objective is best achieved by presenting the components of the model in the form of excellence guidelines, with the critical factors superposed as a useful 'checklist'.

The next chapter is the final chapter; it presents the overall conclusions drawn from the study and suggestions for future research are discussed.

CHAPTER NINE:
CONCLUSIONS AND RECOMMENDATIONS

9.1 INTRODUCTION

This chapter presents conclusions and recommendations of the research. It provides an overall summary of the major findings resulting from this study and details the conclusions drawn. The research design was carefully thought out to achieve the following objectives:

- To understand what are the common and distinctive CEFs that drive excellence in banking.
- To assess the degree of effectiveness of the participating banks in implementing these CEFs.
- To investigate whether driving excellence internally is correlated to customers' perception externally.
- To assess the type of benefits commonly reported by banks when applying the CEFs.
- To build a proposed model on Service Excellence in the banking industry sector.

The findings of the questionnaire survey and case study were presented and analysed in Chapters Six and Seven of this study. These findings were then discussed, summarised and integrated with one another, reviewed, and validated in relation to the review of literature. The composite findings, presented in Chapter Eight, formed the basis of a

model that is believed to be useful for banks considering driving excellence from an integrated approach.

This chapter summarises the findings and outlines the study's contribution to both research and practice. It then outlines the study limitations and provides suggestions for future research directions that have emerged.

The objectives of this final chapter are to highlight the contributions that have been made by this study. Those contributions include recommendations to banks regarding achieving excellence and significant findings for researchers interested in studying excellence elements in banking.

9.2 OVERVIEW OF RESEARCH

Service quality in the retail banking environment has been the focus of many studies. The literature review in this area, as illustrated earlier in Chapter three, revealed that Excellence in services provision, and particularly in the context of banks, is generally based on measurement of outcomes, extensive use of SERVQUAL, and no linkages between internal processes.

Based on the review of the literature, and the limitation of the models used in this respect (EFQM and SERVQUAL), this research offered the opportunity to test and verify various hypotheses, and also to further explore and investigate a further element of excellence. In addition, this study measured the impact created by driving service excellence internally on customers' side externally.

This study has sought to contribute to this area of research and practice. It adopted an integrated approach based on review of a large body of literature relevant TQM and Marketing literature. Beside, other factors that constitute the integrated approach that drives excellence in banking were identified based on an empirical triangulated approach, which included a case study strategy and a questionnaire survey.

The case study strategy included focus group interviews which aimed to explore how banks are driving excellence internally, and what are the common and distinctive elements of excellence among them. The data gathered from the focus group interviews were complemented by several archival records and a number of the internal banks' documents (e.g. evidence supporting the identified CEFs). Mainly, the case study strategy generated two types of data: first, qualitative data is representing the strengths and weaknesses of each bank against the identified CEFs; second, quantitative data expressing the final assessment score obtained by each bank against the EFQM nine criteria.

On the other hand, the survey attempted to evaluate the customers' perception externally, in order to investigate the impact of driving excellence internally. A Likert-scale questionnaire survey was conducted to measure customers' perceptions based on the SERVQUAL structure, which is basically a 22-item Likert scale survey that compares customer expectations and perceptions regarding five attributes of service quality. Basically, the instrument was implemented straightforwardly as in many earlier studies.

9.3 KEY FINDINGS

Although there are limitations to this study, as is the case with most empirical work, it does provide a number of significant findings as presented below.

Firstly, this study, through its comprehensive methodical approach confirms the existence of three types of correlation within the EFQM model: first, the positive correlation among the enablers criteria; second, the positive correlations among the results criteria; third, the causality between the enablers and the results.

The second finding revealed by this study is the corroboration of the SERVQUAL's reliability and validity. Reliability coefficients for each of the five dimensions ranged from .668 to .932, which was within the range of previous similar study findings. The lowest reported reliability is 0.59 reported by Finn and Lamb (1991) and the highest reliability is 0.97 reported by Babakus and Mangold (1992).

The third finding exposed by this study is the acceptance of the proposition that: driving excellence internally impacts positively on customers' perceptions externally. Investigation revealed that there is a strong relationship between the CEFs and customers' perceptions (see Chapter Six, section 6.5.2). In other words the CEFs (Leadership, Policy and strategy, People management, Partnership and Resources management, and Process management) do impact positively on the customer's side. This conclusion is consistent with numerous empirical studies.

The fourth finding was the verification of the positive impact that customers' perceptions have on customers' results. This conclusion revealed by using various

methods, including applying a correlation and regression analysis (see Chapter Six; section 6.5.3).

The fifth finding was the acceptance of the last hypothesis that customers results are positively correlated with Key performance results. This supposition was tested using different methods (see Chapter Six; section 6.5.4). This conclusion supports many studies that asserted the influence of service quality and customer satisfaction on financial outcomes (Rust and Zahorik, 1993; Rust et al., 1995; Danaher and Rust, 1996; Hallowell, 1996).

This study offered a sixth finding by confirming the significance of Vision and Values to achieve service excellence. Mainly, this conclusion was derived by comparing and contrasting the qualitative and quantitative data (see Chapter Eight; section 8.2.6), which confirmed the significant benefits obtained from applying a triangulated strategy.

Finally, based on the overall study findings, a proposed integrated model for excellence in banking was derived. Detailed descriptions and illustrations for the working of the key elements of the proposed model were offered, based on analysis of the literature of two main disciplines (i.e. TQM and Marketing), in addition, from the results of empirical investigation of five banks in primary case studies, besides questioning their customers using a survey strategy.

9.4 MAJOR CONTRIBUTIONS OF STUDY

As clarified in chapter one, this thesis sought to achieve a number of principal research objectives. The first was to utilise the theoretical model of the EFQM excellence model for two main reasons, first to investigate the distinctive and common elements of

excellence that drives excellence in banking (so-called “CEFs”). As well to evaluate the banks’ situation against identified CEFs. Second, to test the model’s causality structure.

The second objective was to measure customers’ perceptions regarding their banks using the SERVQUAL instrument. The third objective was to examine the relationships between the CEFs and banks’ outcomes including customers’ perceptions and financial lagging measures. The contribution of this study will be explained from theoretical, methodological, and practical perspectives, in the following sub-sections.

9.4.1 Theoretical contributions

The theoretical body of knowledge, as far as Service Excellence is concerned, is still in its early stages, even though various strands of literature (i.e. TQM and Marketing) have attempted in various ways to contribute to it. However, each one was confined to the terms and theories of its own field. This study can be considered as a step towards integrating both theories in one body. It has brought a large body of SQ and SE relevant literature, and unified diverse schools of thought into one integrative perspective. In particular, the study has been uniquely effective in identifying and describing components that make up the integrated approach to banking excellence. Not only did this study provide an empirical assessment of the CEFs in banking excellence, but it also assessed the impact of these factors from various perspectives. The study has also shown that the visioning process and managing customers’ values is crucial in driving banking excellence. Ultimately, this study is considered to be an opportunity to validate the EFQM model, by testing and validating its causality structure.

9.4.2 Methodological contributions

The triangulation strategy of combining quantitative and qualitative approaches enriches the understanding of the subject by allowing an insight into the emerging dimensions. Study based on either a quantitative or qualitative strategy alone will be inadequate to get this deeper understanding, though a single method (quantitative or qualitative) was applied in most of the previous empirical studies. Consequently, this study has contributed to the methodology of research on banking service excellence by demonstrating triangulation in qualitative and quantitative methods. The quantitative study provided useful information about customers' perception. On the other hand, the collection of qualitative data generated by the focus group interviews was the major strategy aiming at identifying the common and distinctive CEFs. What is more, the consensus scoring approach was a unique technique that provided

In addition, the analysis of the participating banks' documents and archival records strengthened the study findings, since these are considered as confirmatory sources.

9.4.3 Practical contributions

The findings of this study are important and relevant to all the different sized banks in any country. This study also makes a significant contribution to the society in general. It has provided an insight into the various principles and techniques that enhance driving excellence in banking. Despite the increasing reputation of the EFQM and the SERVQUAL, utilising one of them in isolation is considered to be insufficient. Consequently, this study has recognised a series of critical issues that must be carefully considered to ensure the satisfaction of all stakeholders. These factors culminated in the

proposed generic model. Furthermore, adhering to the various phases of driving excellence in banking the model will ensure that banks can derive maximum benefits.

Generally, the integrated model proposed by this study should enhance the current practices of banking excellence, which mostly follow narrowly-focused approaches. In essence, the results of this research will help top management in making crucial decisions and in resource allocations that are required to make driving excellence in banking successful. Finally, the model is expected to be useful to a wide range of service organisations, since it provides a set of excellence elements that may suit any business situation.

9.5 LIMITATIONS OF STUDY

Like any research, this research is also subject to certain limitations. However, every care was taken in structuring this research so that these limitations would not significantly affect its contributions.

First, as discussed earlier, the EFQM excellence model is an area of research where not many empirical studies have been conducted; in other word; EFQM theory is still inadequate. On the other hand, the SERVQUAL model, as indicated earlier, has many limitations. This induced the researcher to follow an exploratory approach in this study. This was particularly the case, as the research sought to develop holistic and integrative understanding of SQ in banking, a feature which demanded broadening the scope of the study by reviewing a large body of relevant literature and collecting a huge set of appropriate data. However, while the researcher has endeavoured to meet such a requirement by reviewing various bodies of literature and seeking different types of data

from both primary and secondary sources, it is not possible to claim that the empirical investigation has identified all issues related to Excellence in banking.

Second, the time frame was one of the main constraints. Given the limited time frame, a complete investigation of the phenomenon under consideration, especially with case studies, could not be undertaken. Though all possible efforts were made to hold focus group interviews with as many as possible, unfortunately only five banks agreed to participate on this study, out of the eleven banks operating in the Saudi market. The collapse of the stock market during the data collection period (late February 2006) was seen as the main inhibitor to participation, since most banks' senior managers were busy managing their customers regarding this crucial matter. With more time given for investigation, more rich data could be obtained. Even with the use of a questionnaire survey, more time would allow for conducting more than one survey or using the initial analysis of responses to iterate the collection process in order to gain further data.

Third, the primary limitation is the difficulties associated with all survey-based research. There exists no practical way whereby the researcher can ensure the truthfulness and sincerity of the respondents when completing the survey questionnaire or while giving answers during the focus group interviews. In addition, there is no way to ensure that the respondents always understand the crux of each question in the way the researcher wants the respondents to understand it. Given these considerations, it is reasonable to conclude that the respondents may have provided answers that may have deviated from reality. However, the researcher cross-checked data across the various levels of investigation to reduce the degree of discrepancies that could creep in. He also

conducted some interviews in the case of the SERVQUAL questionnaire to avoid this problem and support the questionnaire results.

Fourth, when the researcher was seeking to identify the CEFs that drive excellence in banking, participating banks considered the information surrounding their efforts as private. The task of assessing each bank against the identified CEFs may have revealed critical information about each bank that may lead to disclosure of some organisation-specific practices. Consequently, many banks are not willing to participate in studies that involve assessment exercises. Others which agree to participate, hesitate to reveal some types of information. This, undoubtedly, would have an effect on the richness of the data collected and will leave some issues of the study unclear.

Fifth, five banks participated in this study under the case study strategy. The major limitation here was the limited number of case studies. In addition, banks that participated in the case study were selected based on their relative proximity and willingness to participate, rather than being selected on a random or structured basis. Therefore, there is no assurance that these banks are representative of other banks. This limitation could be overcome by conducting more similar case studies in future research efforts.

9.6 FUTURE RESEARCH DIRECTIONS

Customers' needs and expectations regarding financial services continue to expand rapidly. The more complicated the service sector becomes, the more research is needed to expand the findings from this study and to provide more conclusive answers. Despite

its attempt to be exhaustive and cover a broad area of research, there are many areas in which future research is needed.

First, there is a need for empirically testing and refining the proposed integrated model, and exploring relationships among the various variables by collecting data from banks that have already applied most of the identified CEFs.

Second, the model also calls for a micro type of research, where each component is examined through exploratory studies that can provide better understanding of the internal working of their elements, and the mechanisms by which the role of each in driving banking excellence can be improved.

Third, this study assumes that there are no differences concerning driving banking excellence in the different countries worldwide. Nevertheless, further studies may be required to validate this conclusion.

9.7 CONCLUSION

This study has presented an integrated approach for driving excellence in banking through a comprehensive scrutiny of the relevant literature, exploratory case study of five banks, and a survey distributed to evaluate their customers' perceptions. It has provided a detailed discussion of the CEFs that drive excellence in banking. These factors culminated in the proposed integrated model as depicted in Chapter Eight; Figure 8-1.

The study showed that applying the identified CEFs can yield a wide range of benefits of a tangible and intangible nature. Finally, it is hoped that the theory and research

findings presented in this research can aid the development of excellence in banking, as well as serving as a consultative tool for banks in their excellence journey.

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(Appendix-A)

Ladder of Excellence Workshop – Co X

Workshop Objective

- Evaluation of CO X's current business base line performance using the Ladder of Excellence Model.
- Performing 'Gap Analysis' using benchmarking data.
- Preparing an action plan for improvement.

Instructions

Part 1 – Individual

You are asked to assess the effectiveness of the management approach within Co X by using the attached Ladder of Excellence. The assessment should indicate the level of maturity, systemisation and integration of core activities concerning the various operations within your organisation.

The methodology for assessing and scoring the elements is explained in the figure in the following page. This should be done separately by every individual and a score should be presented on the 'Individual Scoring Sheet'

Part 2 – Team

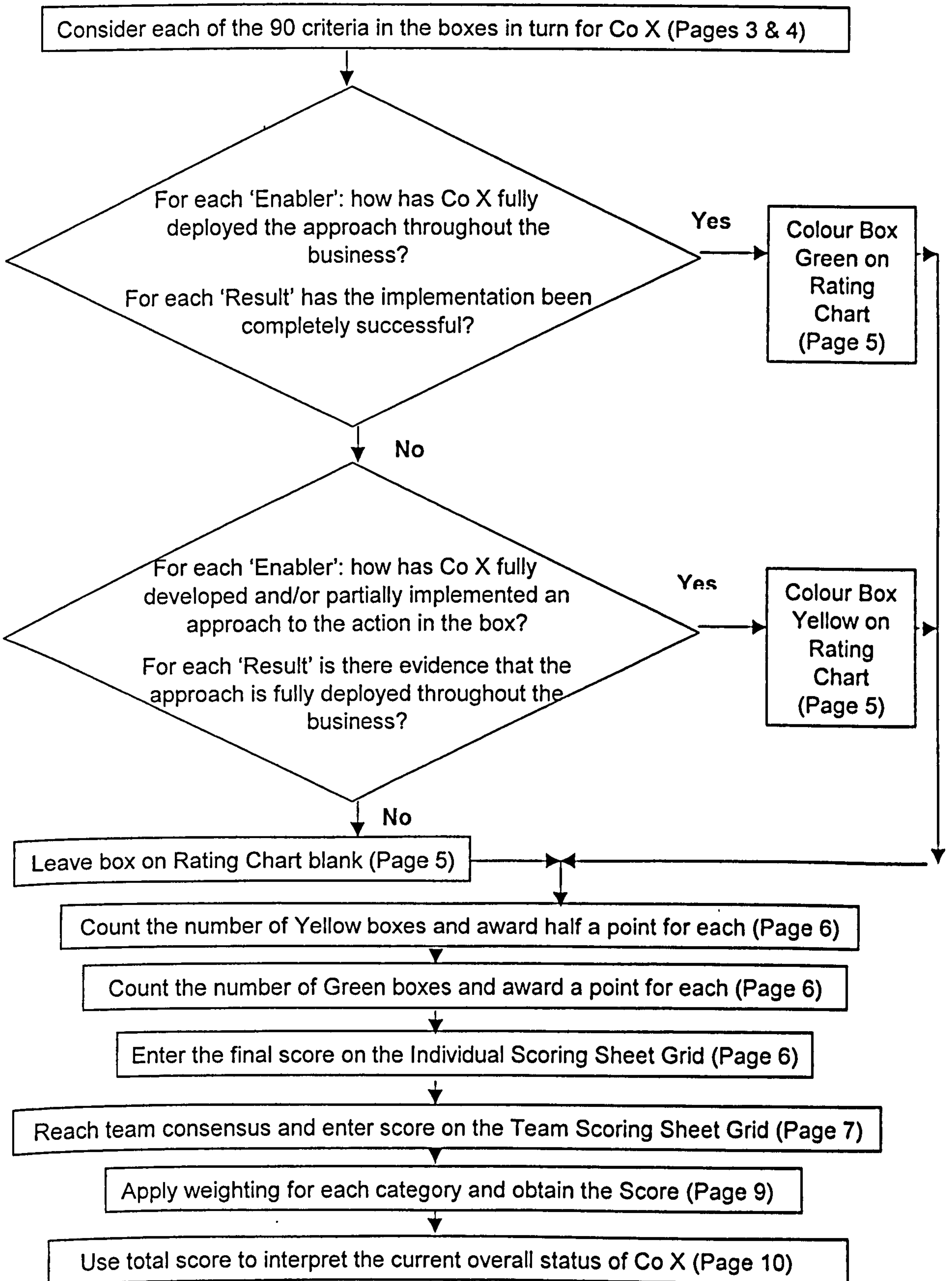
Each team must then meet and reach consensus on the scores and complete a 'Team Scoring Sheet' as per the instruction provided.

You are then expected to produce an action plan for improvement with recommendations covering activities which you have found to be deficient. Each team must complete the 'Scoring Justification Sheet' to present the areas of strengths, weakness, and action plan proposed for each of the nine criteria. This will allow the team to reach consensus on an overall score for the organisation which can be interpreted to assess the overall position against the Business Excellence Model.

The scores can then be benchmarked against the average scores of the European Quality Award and the British Quality Award to assess the relative organisational position.

Finally, this is all summarised in the 'Team Action Planning Sheet' where the critical actions and vital goals are listed and agreed upon.

Ladder of Excellence – Scoring Methodology



Ladder of Excellence Criteria – Enablers

	LEADERSHIP	POLICY & STRATEGY	PEOPLE MANAGEMENT	RESOURCES	PROCESSES
10	All managers are proactive in sustaining continuous improvement	Mission and business policy statements cover the whole of the business and everyone understands them.	All actions are directed towards realising the full potential of all employees	The organisation's resources are deployed effectively to meet policy and strategy objectives	Key value added processes are understood, formally managed and continuously updated
9	Managers are able to demonstrate their external involvement in the promotion of Business Improvement as a business philosophy based on their own experience	A process is in place to analyse competitor business strategy and modify unit plans as a result, in order to develop and sustain a competitive advantage	Employees are empowered to run their business processes	A process is in place to identify additional resources which can be used to strengthen competitive advantage.	The existence of a formal Quality Management System can be demonstrated
8	Managers have a consistent approach towards radical continuous improvement across the unit	The policy and strategy processes are benchmarked.	The Human Resource Plan for the unit supports the company's policy and strategy for continuous improve	A system is in place to review and modify the allocation of resources based on changing business needs	Process performance is demonstrably linked to customer requirements
7	The management team are proactive in valuing, recognising and rewarding all employees for continuous improvement	A process is in place to modify policy and strategy as a result of business and operational information	A process is in place to encourage creativity and innovation amongst employees	A process is in place for identifying, assessing and evaluating new technologies and their impact on the business	A mechanism is in place for developing and using appropriate measures which evaluate processes
6	Managers are visibly involved in the development and support of improvement teams and act as champions	A process is in place to assess the continuing relevance of plans as a result of business and operational information	Improvement teams have been established and supported	Systems are in place to track, monitor and review targeted areas to reduce material waste	The process results are reviewed and fed back into the improvement cycle
5	A process is in place to ensure managers are working with customers and suppliers, and that the effectiveness of this process can be assessed	The unit has policy statements and strategy that covers the 9 Business Excellence Criteria	Training and development needs are regularly reviewed for all employees and teams. Skill gaps relevant to personal aspirations and business needs are identified.	Systems are in place to track, monitor and review targeted areas to reduce all other waste including time and rework	An improvement mechanism for key value added processes has been implemented
4	A process is in place to ensure managers are visibly involved as role models in business improvement within the unit. The effectiveness of the process is reviewed	A process exists and is reviewed, which promotes a clear understanding of the Company's and unit's mission, CSF and policy statements so that everyone knows and understands them	An effective appraisal system is in place for all employees	A process is in place to manage the dissemination of relevant information to customers, suppliers and employees	An improvement mechanism has been identified and targets for improvement have been set
3	A process is in place to ensure mutual understanding of business issues through two way communication both vertically and horizontally throughout the unit.	A process is in place to collect relevant external information to enable a review of CSFs and business plans.	A process is in place for two way communication of business information within the unit.	Partnerships with suppliers are being developed to jointly improve quality, delivery and performance.	The effectiveness of existing key value added processes is assessed
2	A process is in place to create and continually increase an open awareness of business issues throughout the unit.	A process is in place to collect relevant internal information to enable a review of CSFs and business plans.	A public commitment has been given to develop all employes to achieve business goals.	A process is in place to identify suppliers for key resources	Key value added processes are identified, flowcharted and / or documented. Ownership is established
1	The management team have a process in place to develop their own awareness of the concepts of Business Improvement.	The unit management team has developed a mission statement and critical success factors (CSF)	A process is in place to canvas and track employee opinions.	A process is in place to identify what resources are available and how they are being deployed	The main processes within the business are identified.

Ladder of Excellence Criteria - Results

STEP	CUSTOMER SATISFACTION	PEOPLE SATISFACTION	IMPACT ON SOCIETY	BUSINESS RESULTS
10	There is a positive trend in customer satisfaction. Targets are being met. There are some benchmarking targets across the industry	Regular comparison with external companies show employee satisfaction is comparable with other companies and has improving trends	Views of local society are proactively canvassed. Results are fed back into the company's policies	There are consistent trends of improvement in 50% of key result areas. Some results are clearly linked to approach
9	75% of customer satisfaction targets are being met	Results indicate that employees and their families feel integrated into the work environment	Benchmarking has started for 25% of impact on society targets	All targets are being met and showing continuous improvement in 25% of trends
8	50% of customer satisfaction targets are being met	Results indicate that people feel valued for their contribution at work.	50% of impact on society targets are being met	75% of targets have been achieved. Able to demonstrate relevance of key results areas to business
7	All employees understand targets	Results indicate that people can express their feelings confidently and openly	Results are linked to environmental and social policy. Policy is reviewed	Performance against others in the industry is compared and targets are reset
6	The drivers of customer satisfaction have been identified and are used to modify targets	Targets are set in key improvement areas and are published	There is increased public awareness of policies	Improving and adverse trends have been identified, understood and linked to Enablers
5	Compare customer satisfaction levels within the company. Results have positive trend and some are meeting targets	Trends are established. Positive and negative trends are understood. Parameters measured are relevant to employees	There are consistently improving trends in relevant result areas	50% of internal targets have been met.
4	The relevance of targets to customer satisfaction can be demonstrated	The effectiveness of two way internal communication is measured	Local perceptions and needs are researched and targets are set for improvement	Trends are compared against the units goals and financial objectives
3	Targets are set for improvement	Data is used to plot trends for employee satisfaction	Employees awareness of relevant results areas is measured	Relevant results are communicated to all employees and key results are published regularly
2	Data is used to plot trends of customer complaints	Key measures of employee satisfaction have been identified	Trends are established and a process is in place to track progress	A system exists for measuring and monitoring key result areas
1	Customer complaints are logged and reacted to on an add hoc basis	Employee grievances are reacted to on an ad hoc basis	Result areas have been identified	The units key financial objectives have been identified

Rating Chart

Colour Boxes Green, Yellow or leave Blank

Enablers

STEP	LEADERSHIP	POLICY & STRATEGY	PEOPLE MANAGEMENT	RESOURCES	PROCESSES
10					
9					
8					
7					
6					
5					
4					
3					
2					
1					

Results

STEP	CUSTOMER SATISFACTION	PEOPLE SATISFACTION	IMPACT ON SOCIETY	BUSINESS RESULTS
10				
9				
8				
7				
6				
5				
4				
3				
2				
1				

Individual Scoring Sheet

Award the following points to each box

Each Green box = 1 point

Each Yellow box = 0.5 points

Each Blank box = 0 points

Enter scores on the following table

Enablers

STEP	LEADERSHIP	POLICY & STRATEGY	PEOPLE MANAGEMENT	RESOURCES	PROCESSES
Green					
Yellow					
Total					

Results

STEP	CUSTOMER SATISFACTION	PEOPLE SATISFACTION	IMPACT ON SOCIETY	BUSINESS RESULTS
Green				
Yellow				
Total				

Team Scoring Sheet

Team Member Score								
Category	A	B	C	D	E	F	G	Average
Leadership								
Policy and Strategy								
People Management								
Resources & Partnerships								
Processes								
Customer Satisfaction								
People Satisfaction								
Impact on Society								
Business Results								

Instructions for completing the Team Scoring Sheet

1. Each team member present his/her scores for all nine criteria from the Individual Scoring Sheet
2. For each criteria
 - If the difference between the highest score awarded and lowest score awarded is 25% or less (of total possible score), calculate the mean score.
 - If the difference between the highest score awarded and lowest score awarded is more than 25% (of total possible score), team discussion is required to arrive at consensus and review scores. Once consensus is reached and scores reviewed, calculate the mean score.
 - Complete the Scoring Justification Sheet

Scoring Justification Sheet

Score	Areas of Strength(s)	Areas of Weakness(s)
Leadership		
Policy & Strategy		
People		
Resources and Partnerships		
Processes		
People Results		
Customer Results		
Society Results		
Key Performance Results		

Final Score Sheet

Enter the Total from the Grid on the previous page in the *Total* column below and using the weighting calculate the "Score"

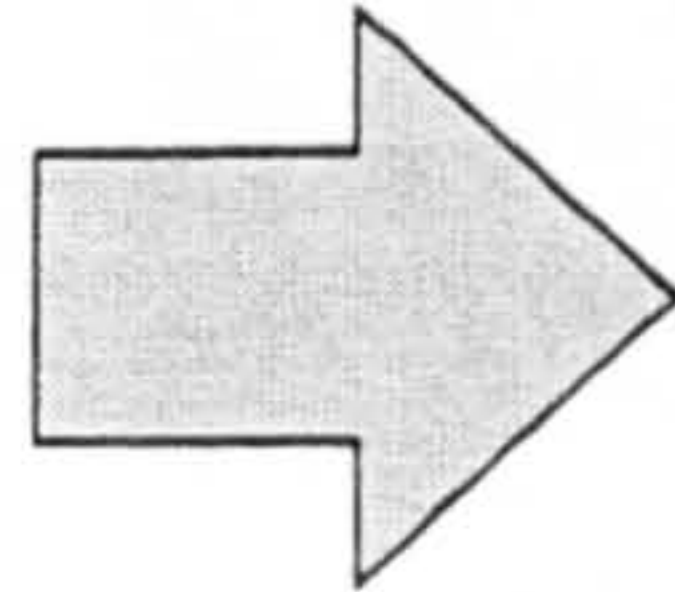
	Category	Total		Weighting		Score
1	Leadership		X	10	=	
2	Policy and Strategy		X	8	=	
3	People Management		X	9	=	
4	Resources		X	9	=	
5	Processes		X	14	=	
6	Customer Satisfaction		X	20	=	
7	People Satisfaction		X	9	=	
8	Impact on Society		X	6	=	
9	Business Results		X	15	=	
	Total Score					

Interpreting the Total Score

Evaluation

Interpretation

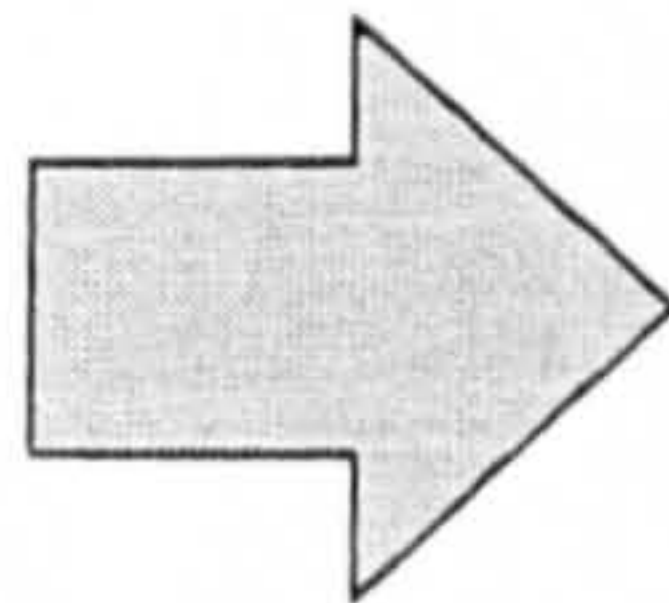
0 to 250 Points



Potential but not exploited



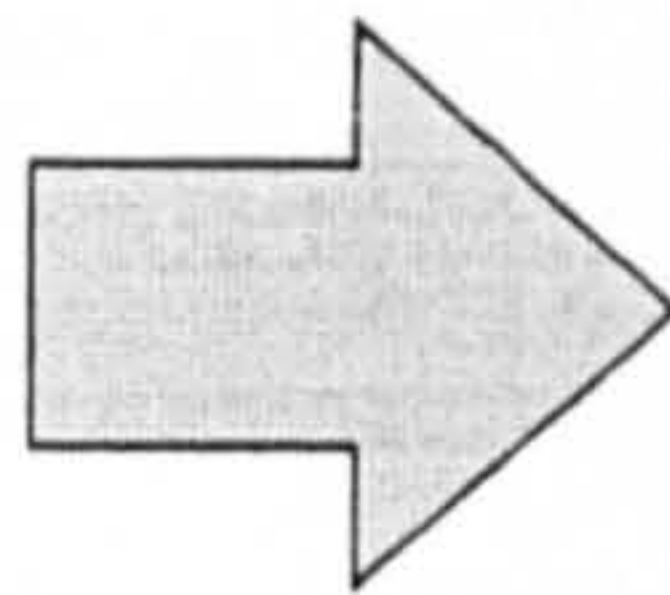
251 to 500 Points



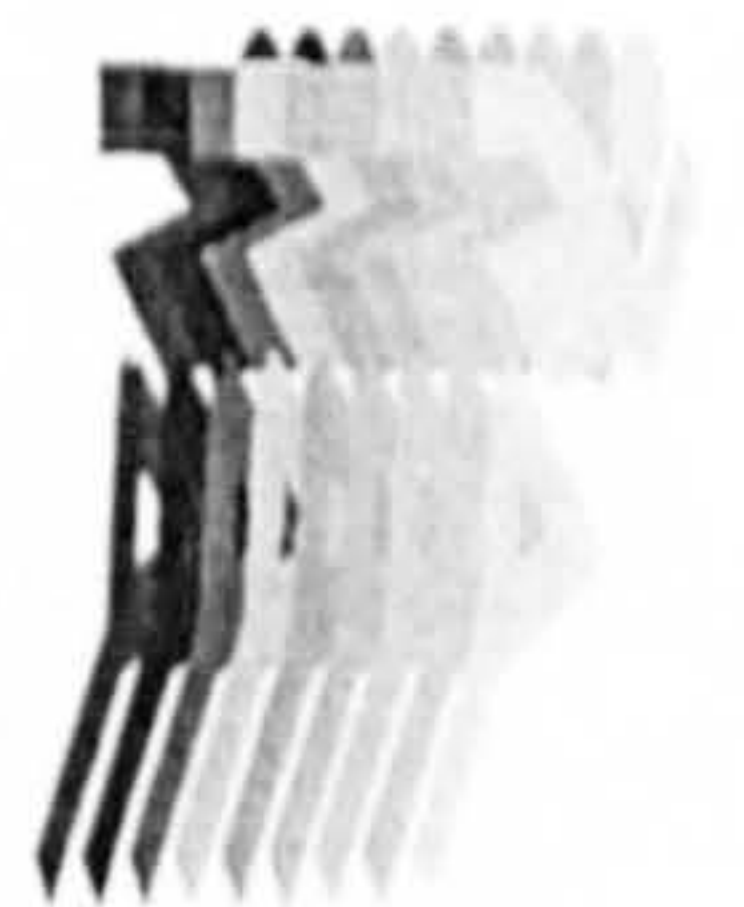
Patchy Gains



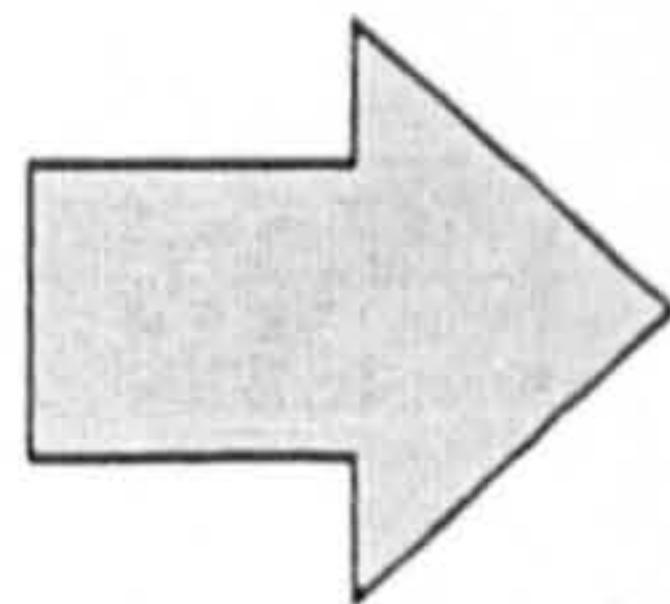
501 to 750 Points



Moving fast



751 to 1000 Points



World Class & Sustainable Performance



Benchmarking Data

Category	EQA Median Scores	BQA Median Scores	CO X's Scores
Leadership	46	40	
Policy & Strategy	48	67	
People Management	49	54	
Resource Management	51	45	
Process Management	47	40	
Customer Satisfaction	45	37	
People Satisfaction	40	34	
Impact on Society	40	30	
Business Results	48	43	

Team Action Planing Sheet

Criteria	Score	Gap	Recommended Action(s)
Leadership			• • •
Policy & Strategy			• • •
People Management			• • •
Resource Management			• • •
Process Management			• • •
Customer Satisfaction			• • •
People Satisfaction			• • •
Impact on Society			• • •
Business Results			• • •

(Appendix-B)

SECTION (1): EXPECTATIONS

SECTION (2): PERCEPTIONS

This part deals with your opinions of **Excellent Banks** in general. Please show the extent to which you think Excellent Bank should possess the following features. What we are interested in here is a number that best represents your expectations about Excellent Bank's services.

The following statements relate to your feelings about the **Particular Bank** you deal with. Please show the extent to which you believe your bank has the feature described in the statement. Here, we are interested in a number that shows your perceptions about your bank.

USE THIS SCALE FOR ANSWERING THE QUESTIONS BELOW BY TYPING IN AN APPROPRIATE NUMBER IN THE GREEN CELLS.

Strongly Disagree						Strongly Agree						Strongly Disagree						Strongly Agree
1	2	3	4	5	6	7	1	2	3	4	5	6	7					

EXPECTATIONS

PERCEPTIONS

1. Excellent banks will have modern looking equipment.		My bank has modern looking equipment.	
2. The physical facilities at excellent banks will be visually appealing.		My bank's physical facilities are visually appealing.	
3. Employees at excellent banks will be neat appearing.		My bank's host desk employees are neat appearing.	
4. Materials associated with the service (monthly account statement) will be visually appealing at excellent banks.		Materials associated with the service (monthly account statement) are visually appealing at my bank.	
5. When excellent banks promise to do something by a certain time, they do.		When my bank promises to do something by a certain time, it does so.	
6. When a customer has a problem, excellent banks will show a sincere interest in solving it.		When I have a problem, my bank shows a sincere interest in solving it.	
7. Excellent banks will perform the service right the first time.		My bank performs the service right the first time.	
8. Excellent banks will provide the service at the time they promise to do so.		My bank provides its service at the time it promises to do so.	
9. Excellent banks will insist on error free records.		My bank insists on error free records.	
10. Employees of excellent banks will tell customers exactly when services will be performed.		Employees of my bank tell you exactly when services will be performed.	
11. Employees of excellent banks will give prompt service to customers.		Employees in my bank give you prompt service.	
12. Employees of excellent banks will always be willing to help customers.		Employees in my bank are always willing to help you.	
13. Employees of excellent banks will never be too busy to respond to customers' requests.		Employees in my bank are never too busy to respond to your request.	
14. The behaviour of employees in excellent banks will instil confidence in customers.		The behaviour of employees in my banks instils confidence in you.	
15. Customers of excellent banks will feel safe in transactions.		I feel safe in my transactions with my bank.	
16. Employees of excellent banks will be consistently courteous with customers.		My bank's employees are consistently courteous with me.	
17. Employees of excellent banks will have the knowledge to answer customers' questions.		My bank's employees have the knowledge to answer my questions.	
18. Excellent banks will give customers individual attention.		My bank gives me individual attention.	
19. Excellent banks will have operating hours convenient to all their customers.		My bank has operating hours convenient to me.	
20. Excellent banks will have employees who give customers personal attention.		My bank has employees who give me personal attention.	
21. Excellent banks will have their customer's best interests at heart.		My bank has my best interest at heart.	
22. The employees of excellent banks will understand the specific needs of their customers.		My bank's employees understand my specific needs.	

أخي الكريم/ أختي الكريمة
سلام عليكم ورحمة الله وبركاته،،،

أما بعد فتجدون بين أيديكم استبانة عن قياس مستوى جودة الخدمات المقدمة من البنوك السعودية، نرجو تكرمكم بالإجابة عن الأسئلة المرفقة حسب مرئياتكم، حيث إن هذا الاستبيان جزء من عملية جمع المعلومات لرسالة دكتوراه. هذا ولن يتم استخدام المعلومات المتحصلة من هذا المسح إلا لغرض البحث العلمي.
شاكرًا لكم حسن تعاونكم،،،

الباحث

رائد بن ناصر الرئيس

كلية الإدارة- جامعة برادفورد
المملكة المتحدة

البيانات الشخصية للمشاركة:

الجنس	<input type="checkbox"/> رجل	<input type="checkbox"/> امرأة		
العمر	<input type="checkbox"/> أقل من 25	<input type="checkbox"/> 25-35	<input type="checkbox"/> 35-60	<input type="checkbox"/> أكبر من 60
المؤهل العلمي	<input type="checkbox"/> لا يوجد	<input type="checkbox"/> ابتدائي	<input type="checkbox"/> متوسط	<input type="checkbox"/> ثانوي
	<input type="checkbox"/> بكالوريوس	<input type="checkbox"/> ماجستير	<input type="checkbox"/> دكتوراه	
الجنسية	<input type="checkbox"/> سعودي	<input type="checkbox"/> غير سعودي		
الوظيفة	<input type="checkbox"/> موظف حكومي	<input type="checkbox"/> موظف قطاع خاص	<input type="checkbox"/> أعمال حرة	
	<input type="checkbox"/> طالب	<input type="checkbox"/> لا يوجد		
الدخل الشهري (ريال)	<input type="checkbox"/> أقل من 5,000	<input type="checkbox"/> 5,000 - 10,000	<input type="checkbox"/> 10,000 - 20,000	
	<input type="checkbox"/> 20,000 - 50,000	<input type="checkbox"/> أكثر من 50,000		
أي القنوات التالية تتعامل بها مع البنك (بالإمكان وضع إشارة على أكثر من خيار)	<input type="checkbox"/> زيارة الفروع	<input type="checkbox"/> الصراف الآلي	<input type="checkbox"/> الهاتف المصرفي	
	<input type="checkbox"/> الانترنت			

الجزء (أ) قياس مستوى الأداء المتوقع من بنك متميز

إن الباحث حريص في هذا الجزء على تحديد مستوى الخدمة المتوقع عند التعامل مع بنك متميز. لاحظ أن المراد هنا ليس معرفة ما تتمنى أن تحصل عليه من خدمة عالية، إنما المراد هو تحديد توقعك لجودة الخدمة التي ستحصل عليها عند تعاملك مع بنك متميز.

السؤال: إلى أي مدى تعتقد فعلياً أن البنوك المتميزة متوافقة مع الخصائص التالية؟
أمل وضع دائرة على الرقم:

- 1 = إذا كنت (غير موافق إطلاقاً)
4 = إذا كنت (محايد)
7 = إذا كنت (موافق تماماً)

مستوى الأداء المتوقع

التقييم							العبارة
7	6	5	4	3	2	1	1 البنوك المتميزة تستخدم أحدث الأجهزة والتقنيات البنكية
7	6	5	4	3	2	1	2 المظهر العام لمرافق البنوك المتميزة جذابة وملفتة
7	6	5	4	3	2	1	3 موظفو البنوك المتميزة يظهرون دائماً بمظهر لائق ومناسب
7	6	5	4	3	2	1	4 البنوك المتميزة تستخدم أفضل المواد أثناء تقديم خدماتها مثال (نوعية الأوراق أو البطاقات البلاستيكية)
7	6	5	4	3	2	1	5 البنوك المتميزة دائماً تفي بوعودها تجاه عملائها
7	6	5	4	3	2	1	6 البنوك المتميزة تُظهر وبشكل واضح اهتمامها بحل مشاكل عملائها
7	6	5	4	3	2	1	7 البنوك المتميزة تقدم الخدمة بشكل صحيح من أول محاولة
7	6	5	4	3	2	1	8 البنوك المتميزة تقدم الخدمة في الوقت الذي وعدت به سابقاً
7	6	5	4	3	2	1	9 البنوك المتميزة تحرص على سجل خال من الأخطاء
7	6	5	4	3	2	1	10 موظفو البنوك المتميزة يخبرون العميل متى بالتحديد ستقدم له الخدمة المطلوبة
7	6	5	4	3	2	1	11 موظفو البنوك المتميزة يقدمون الخدمة بشكل فوري وسريع للعملاء
7	6	5	4	3	2	1	12 موظفو البنوك المتميزة على استعداد لمساعدة العملاء دائماً
7	6	5	4	3	2	1	13 موظفو البنوك المتميزة لا يتشاغلون إطلاقاً عن الاستجابة لطلبات العملاء
7	6	5	4	3	2	1	14 سلوك موظفو البنك المتميز يغرس الثقة و يعززها لدى العملاء
7	6	5	4	3	2	1	15 عملاء البنوك المتميزة يشعرون بالأمان أثناء القيام بالعمليات
7	6	5	4	3	2	1	16 موظفو البنك المتميز دائماً يعاملون العملاء بلباقة ولطف
7	6	5	4	3	2	1	17 موظفو البنك المتميز لديهم المعرفة الكافية للرد على استفسارات العملاء
7	6	5	4	3	2	1	18 البنك المتميز يمنح عملاءه رعاية فردية خاصة
7	6	5	4	3	2	1	19 أوقات الدوام لدى البنك المتميز مناسبة لجميع عملائه
7	6	5	4	3	2	1	20 البنك المتميز لديه موظفون يمنحون العملاء رعاية شخصية خاصة
7	6	5	4	3	2	1	21 البنك المتميز يجعل رغبات عملائه في مقدمة اهتماماته
7	6	5	4	3	2	1	22 موظفو البنك المتميز يدركون احتياجات عملائهم بشكل دقيق و مفصل

الجزء (ب) قياس مستوى الأداء الفعلي لبنكك

هذا الجزء من الاستبانة يحاول قياس مستوى الخدمات التي يقدمها البنك الذي تتعامل معه. الباحث في هذا الجزء حريص على تحديد مستوى الخدمة التي تحصل عليها فعليا من البنك الذي تتعامل معه. قبل الشروع في عملية التقييم أرجو كتابة اسم البنك الذي ترغب في تقييمه:

السؤال: إلى أي مدى تعتقد أن خدمات البنك الذي تتعامل معه تنطبق عليها العبارات التالية؟
لذا أرجو منك وضع دائرة على الرقم:

1 = إذا كنت (غير موافق إطلاقاً)

4 = إذا كنت (محايد)

7 = إذا كنت (موافق تماماً)

مستوى الأداء الفعلي

التقييم							العبارة
7	6	5	4	3	2	1	1 بنكي يستخدم أحدث الأجهزة والتقنيات البنكية
7	6	5	4	3	2	1	2 المظهر العام لمرافق بنكي مميزة وجذابة
7	6	5	4	3	2	1	3 موظفو بنكي يظهرون بشكل لائق وأنيق
7	6	5	4	3	2	1	4 بنكي يستخدم أفضل المواد أثناء تقديمه للخدمات مثال (نوعية الأوراق و البطاقات البلاستيكية)
7	6	5	4	3	2	1	5 عندما يعدني بنكي بشيء يفني به دائماً
7	6	5	4	3	2	1	6 عندما يكون لدي مشكلة، يظهر لي بوضوح اهتمام بنكي في حلها
7	6	5	4	3	2	1	7 بنكي يقدم الخدمة بشكل صحيح و من أول محاولة
7	6	5	4	3	2	1	8 بنكي يقدم خدماته التي وعد بها في الوقت والشكل المحدد سلفاً
7	6	5	4	3	2	1	9 بنكي حريص على أن يكون سجله خالياً من الأخطاء
7	6	5	4	3	2	1	10 موظفو بنكي يخبرونني عن الوقت المحدد الذي ستقدم لي فيه الخدمة
7	6	5	4	3	2	1	11 موظفو بنكي يقدمون الخدمات بشكل فوري وسريع
7	6	5	4	3	2	1	12 موظفو بنكي دائماً على أتم استعداد لمساعدتي
7	6	5	4	3	2	1	13 موظفو بنكي لا يتشغلون عن الاستجابة لطلباتي
7	6	5	4	3	2	1	14 سلوك موظفي بنكي يغرس ثقتي بالبنك ويعززها
7	6	5	4	3	2	1	15 مع بنكي أشعر بالأمان و الثقة عند القيام بالعمليات
7	6	5	4	3	2	1	16 موظفو بنكي دائماً يتعاملون معي بلباقة ولطف
7	6	5	4	3	2	1	17 موظفو بنكي لديهم المعرفة الكافية للرد على استفساراتي
7	6	5	4	3	2	1	18 بنكي يمنحني رعاية فردية خاصة
7	6	5	4	3	2	1	19 فترات الدوام لبنكي مناسبة لي جداً
7	6	5	4	3	2	1	20 موظفو بنكي يمنحونني رعاية شخصية خاصة
7	6	5	4	3	2	1	21 بنكي يجعل رغباتي في مقدمة اهتماماته
7	6	5	4	3	2	1	22 موظفو بنكي يدركون احتياجاتي بشكل دقيق ومفصل