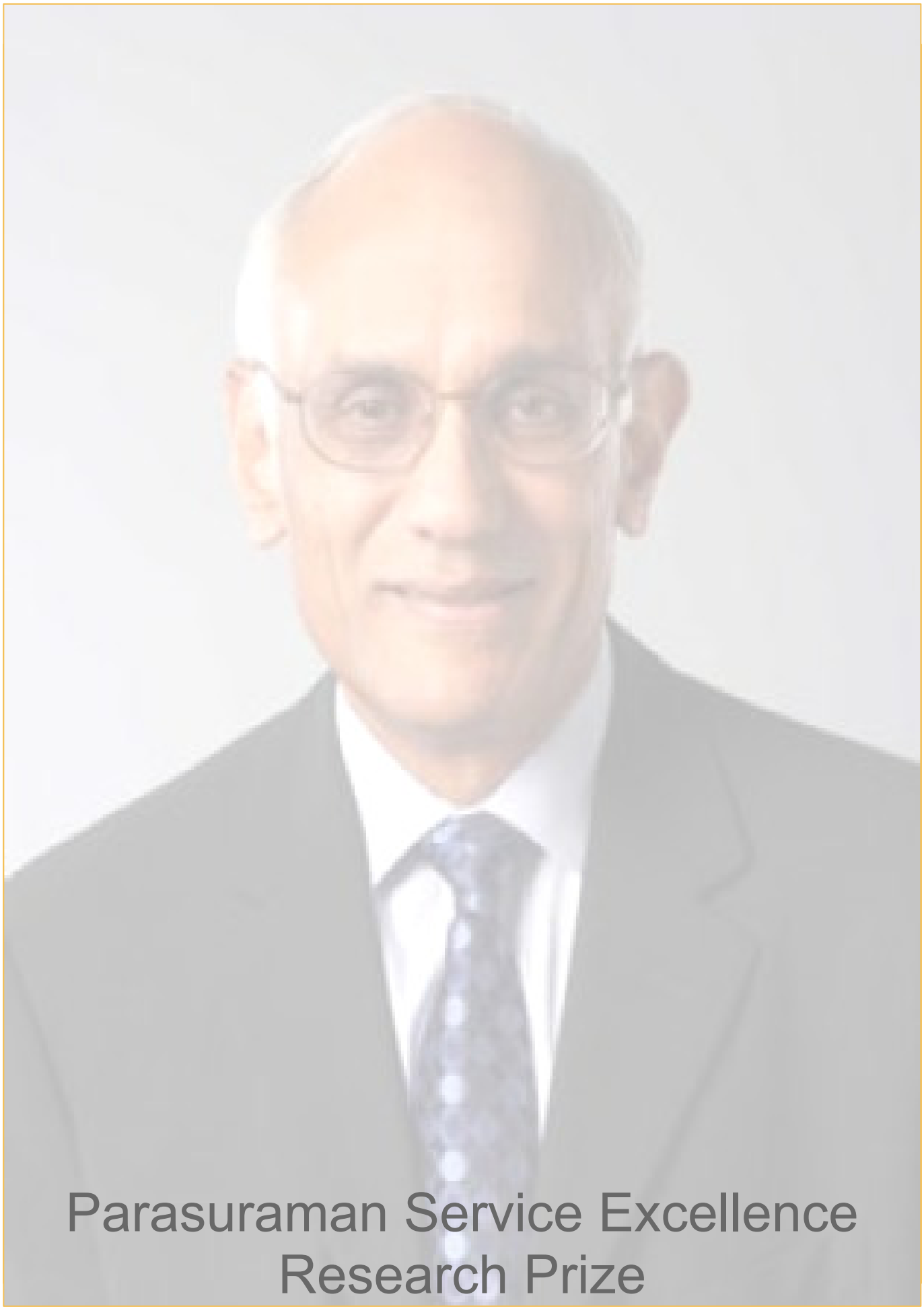

Parasuraman Service Excellence Research Prize

Dr. Raed Alrayes

Currently, Dr. AlRayes is lecturing at the Economic and Business Administration College at ‘‘Al-Imam University’’ in Riyadh. He was appointed their as ‘‘Assistance Professor’’ on Sep/2006, after he completed his MBA, and PhD from ‘‘Bradford University’’ in UK.

Dr. AlRayes has an excellent background about the financial institutions, after six years of banking experience in a two different banks. Recently, Dr. AlRayes jointed ‘‘AlRajhi Financial Service’’ -one of the largest investment houses operating in Saudi Arabia- as a consultant in Strategy and Product Development department.

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ABSTRACT

This empirical 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 objectives. Based on the empirical work, the study identifies several CEFs that must be carefully considered when driving excellence in banking.

Keywords: Service Quality, Service Excellence, EFQM Excellence Model, SERVQUAL, Banking, Empirical Study.

1. 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 SE have been developed. They are: a) Service Marketing; and b) Total Quality Management (TQM) literature. Each pool of literature tackles the SE 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 SE. 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 are 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.

- What are the main elements that drive and sustain excellence in banking, what can be called the Critical Excellence Factors (CEFs)?
- What are the relationships among these CEFs?
- Do customers perceive excellent bank that apply CEFs differently?
- In what way do the CEFs affect the bank's Key performance Results?
- 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 Research objectives

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.

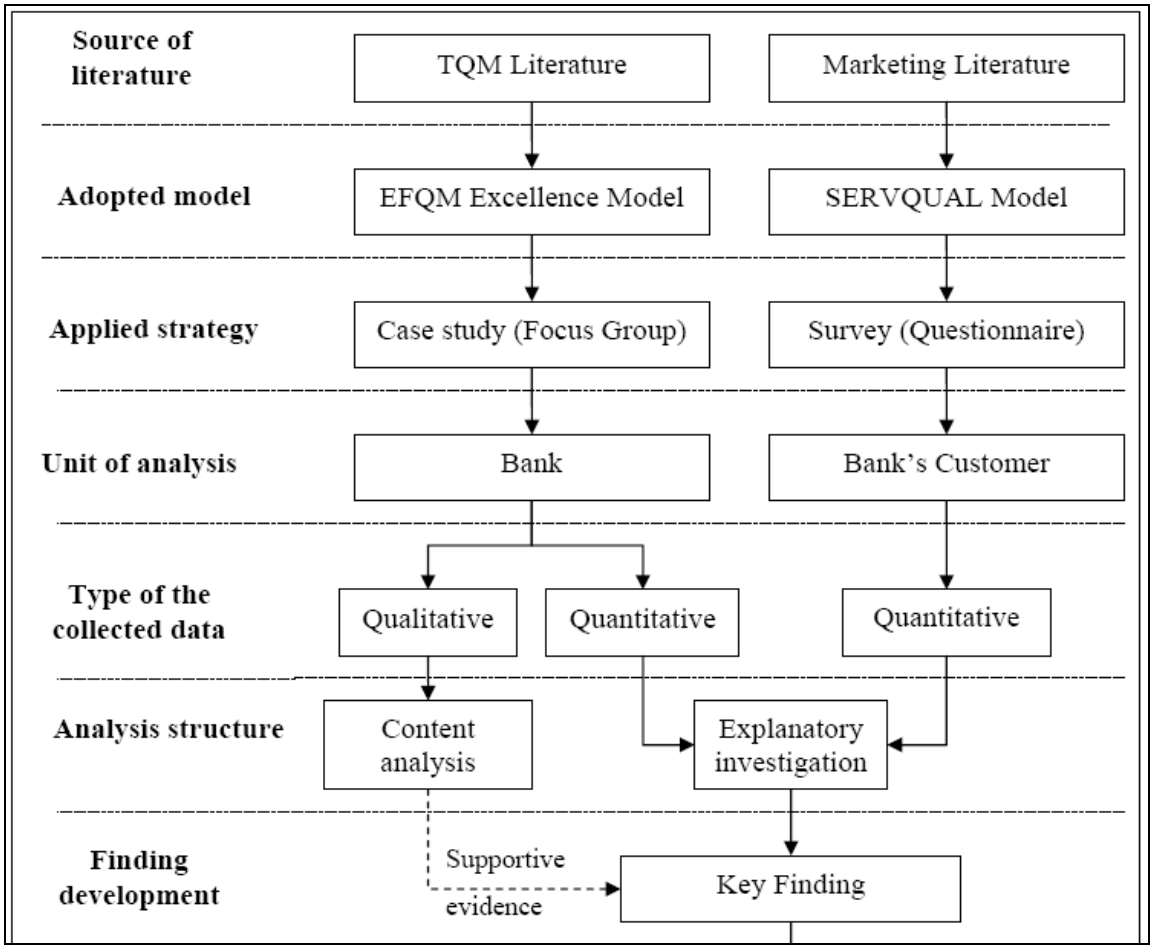
2. METHODOLOGY

This study represents exploratory and explanatory empirical research that aims to verify existing practices of SE in Saudi banking industry. 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, was 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.

A multi-methods strategy was adopted in this empirical 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. Figure 1, shows the entire process of this study.

Figure 1: Research Process



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 1, illustrates the design of this study.

Table 1: 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	• Focus group Interviews • Direct observation	• Documents • Archival record	• Questionnaire
Type of Generated Data	Qualitative & Quantitative	Quantitative	Quantitative

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

2.1 Phase One: Assessing banks via case study strategy using the EFQM model

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.

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:

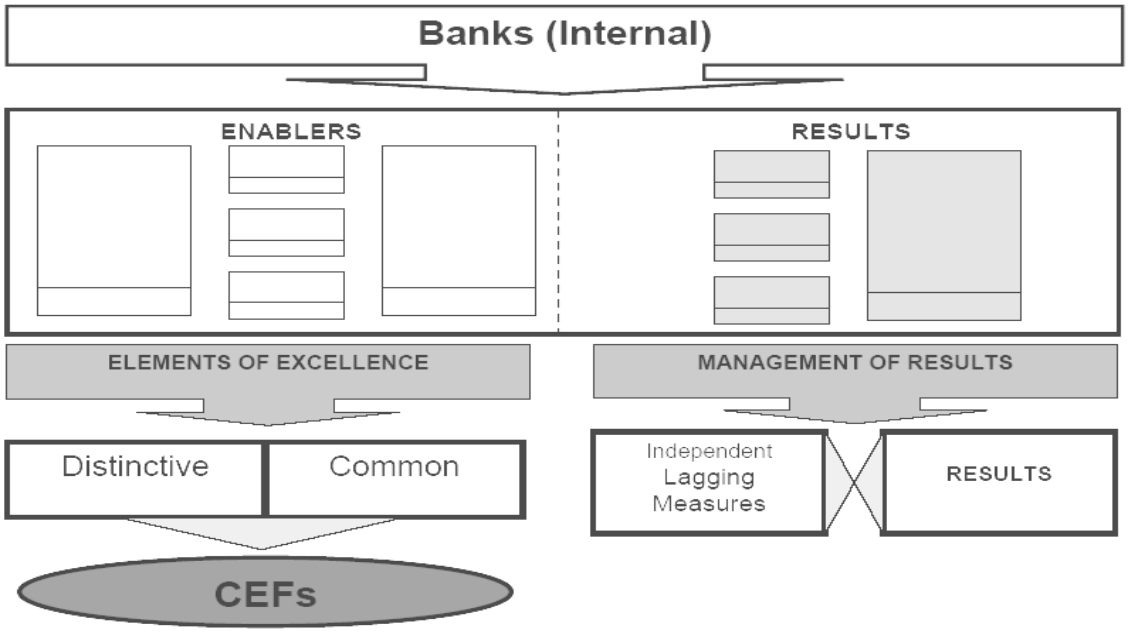
- To investigate how banks are driving excellence and what are the generic and common elements of excellence
- To determine how good they are in driving Excellence

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 2.

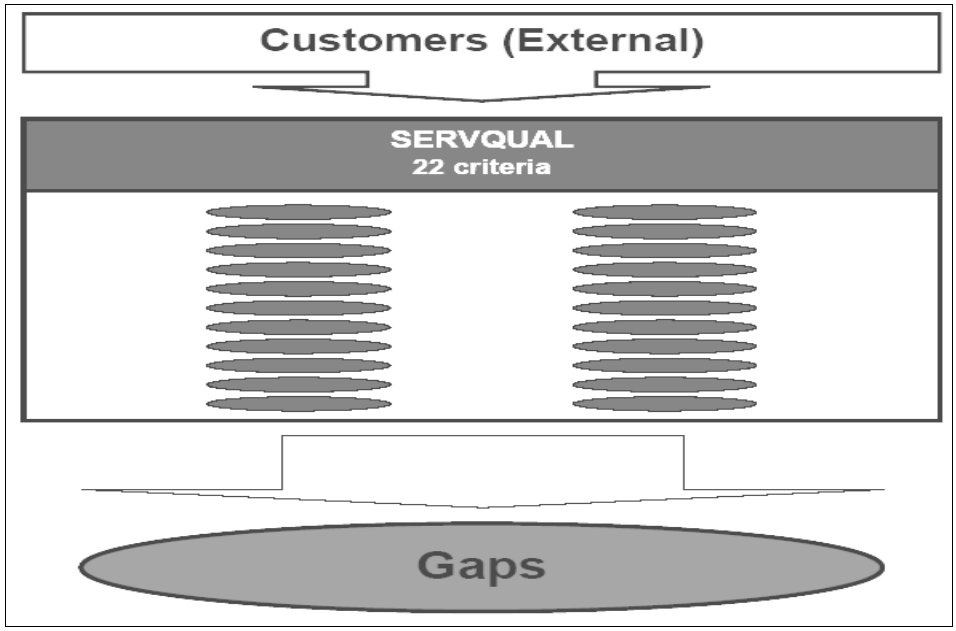
Figure 2 : Structure of Phase One



2.2 Phase Two: Assessing customer perceptions using the SERVQUAL instrument

Phase two intends 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 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 former studies (Angur, Nataraajan et al., 1999; Lassar, Manolis et al., 2000; Arasli, Mehtap-Smadi et al., 2005). (see Figure 3).

Figure 3: Phase two



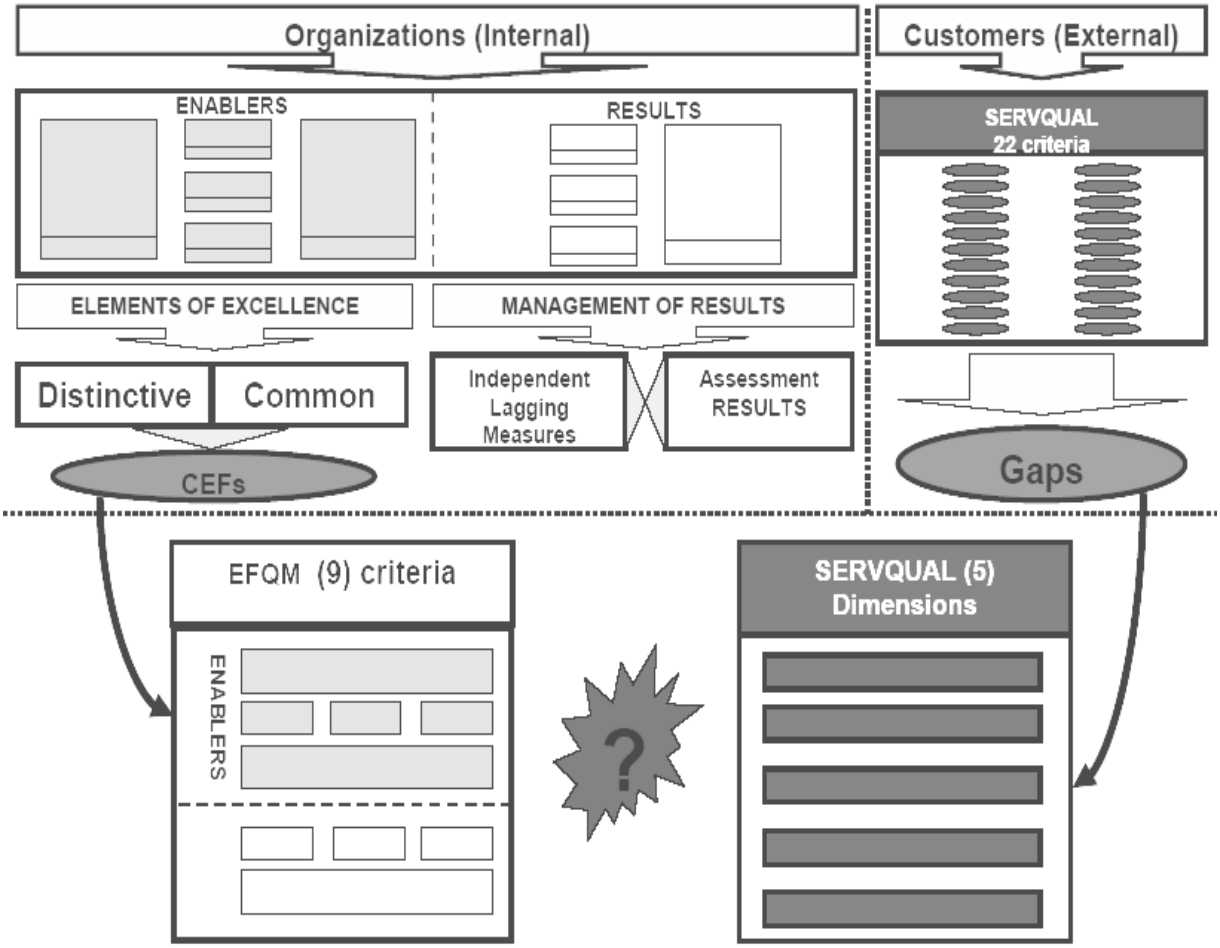
It is vital to mention here that the SERVQUAL questionnaire was developed originally in English. Since English is not the first language in Saudi, it was recognised that some of the respondents would not be familiar with the original questionnaire language. Thus, the questionnaire was translated into 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).

2.3 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 hypothesis. 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 4, illustrates the structure of phase 3, and it indicates how critical output data from the previous phases fed into this phase.

Figure 4: Phase three



In this phase, Correlation and multiple regression were utilised to examine the suggested causality structure findings are demonstrated on result section.

3. RESULTS

This section contains an analysis of the five banks' assessment scores, customers' survey, and collected lagging performance figures. First, it will 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, 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.

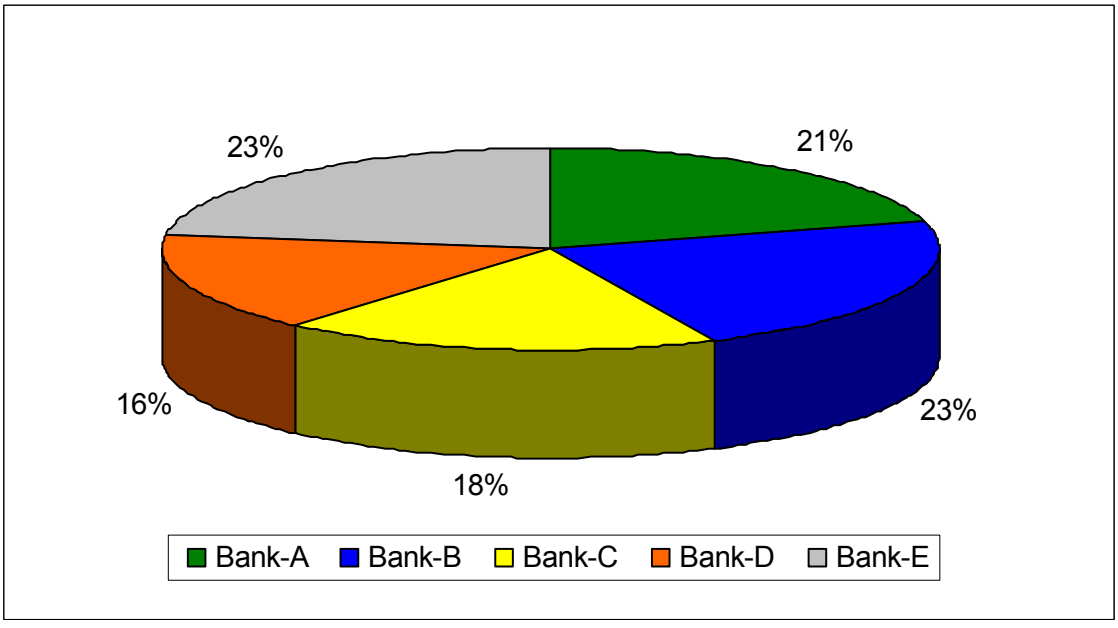
The data collected are analysed using the SPSS package, along with standard statistical analysis techniques: Factor analysis, Pearson correlation, and Regression analysis

3.1 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 5, illustrates every bank's share of those valid questionnaires.

Figure 5: Banks' Shares of Completed Questionnaires

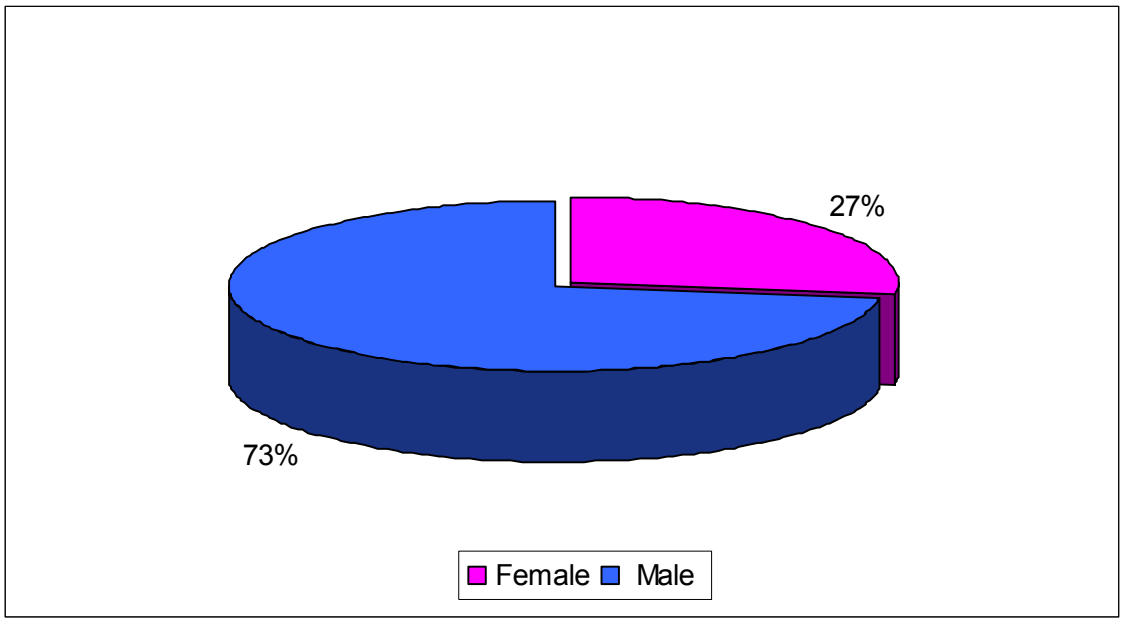


The above figure demonstrates similar level of response in each bank, with each accounting for from 16% to 23% of the final total. Data from the two parts of the questionnaires (Part A: Customer's Expectation, and B: Customer's perception) were entered into the Statistical Package for the Social Science, SPSS version11.0, 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.

Profile of Participants

The next figure 6 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 : Respondents' distribution by gender



The next figure 7 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 7 : Participants by Educational Qualification

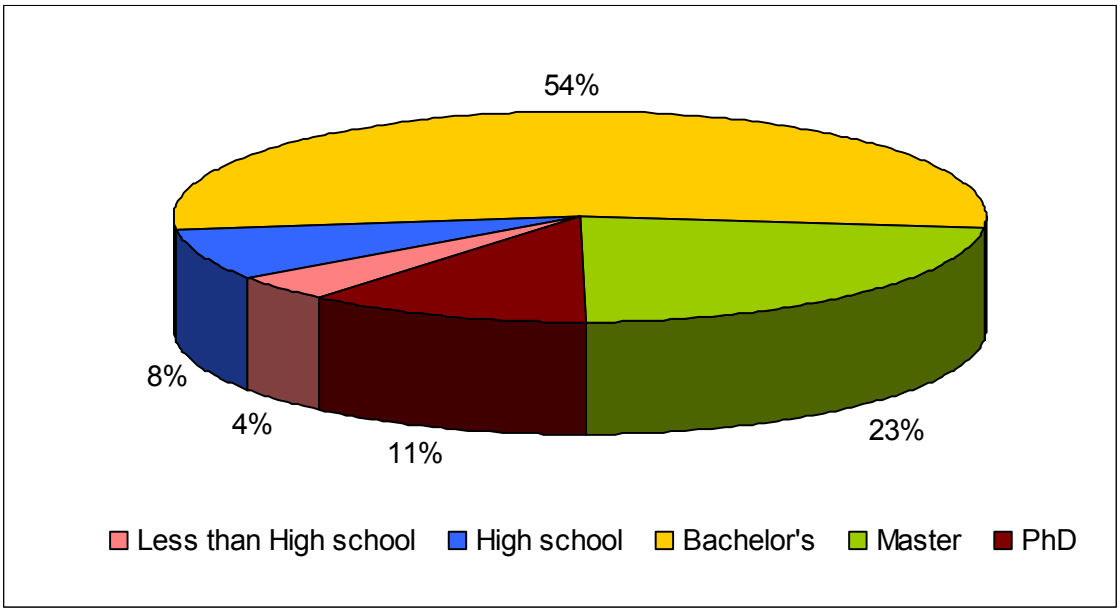
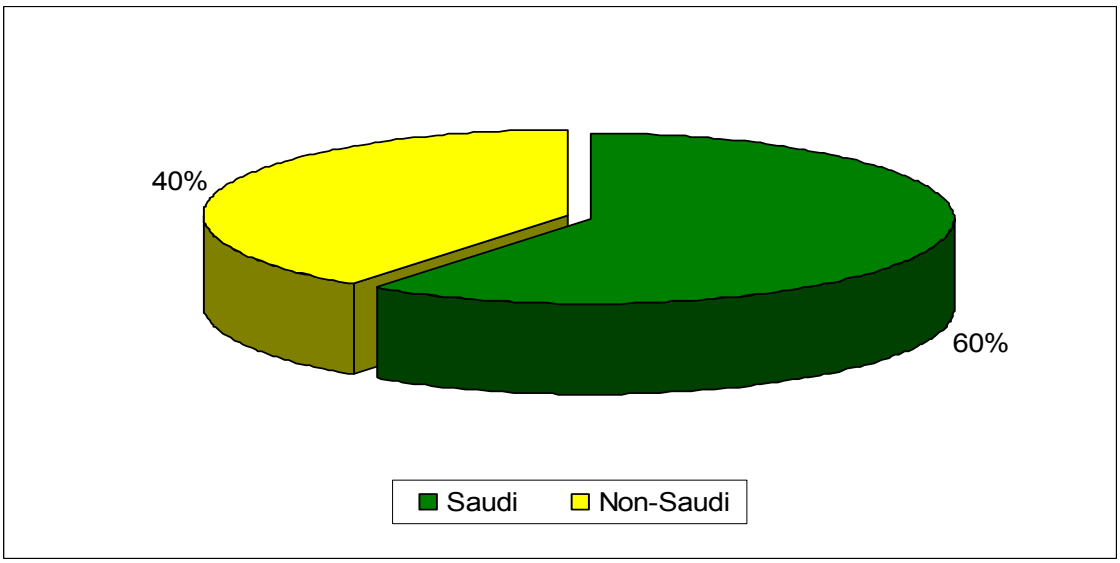


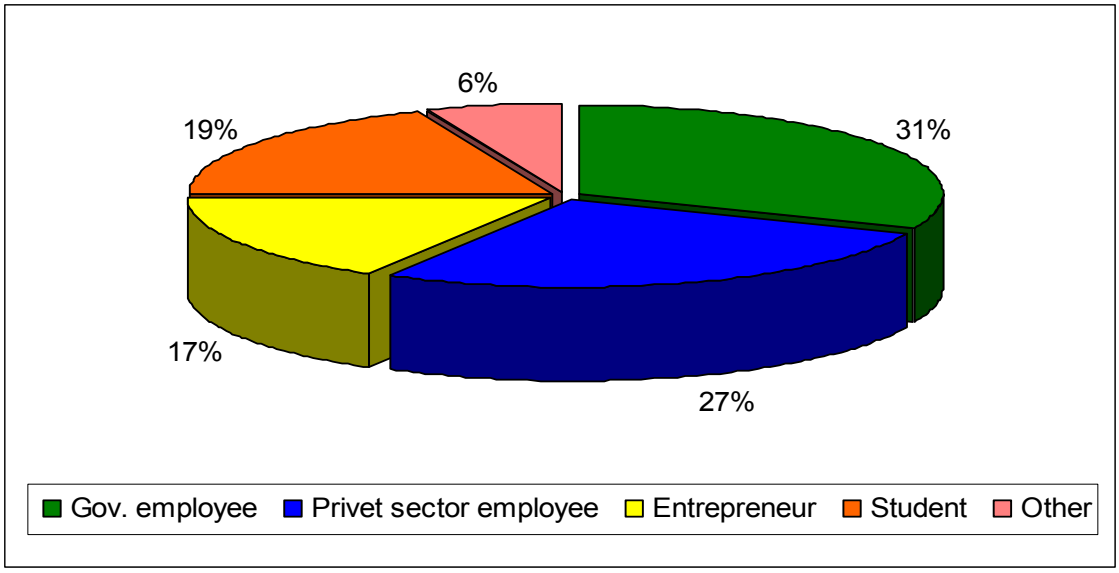
Figure 8 exhibits contributors by their nationality. Saudis represented 60%, while Non-Saudis represented 40% of the total population.

Figure 8: Participants by Nationality



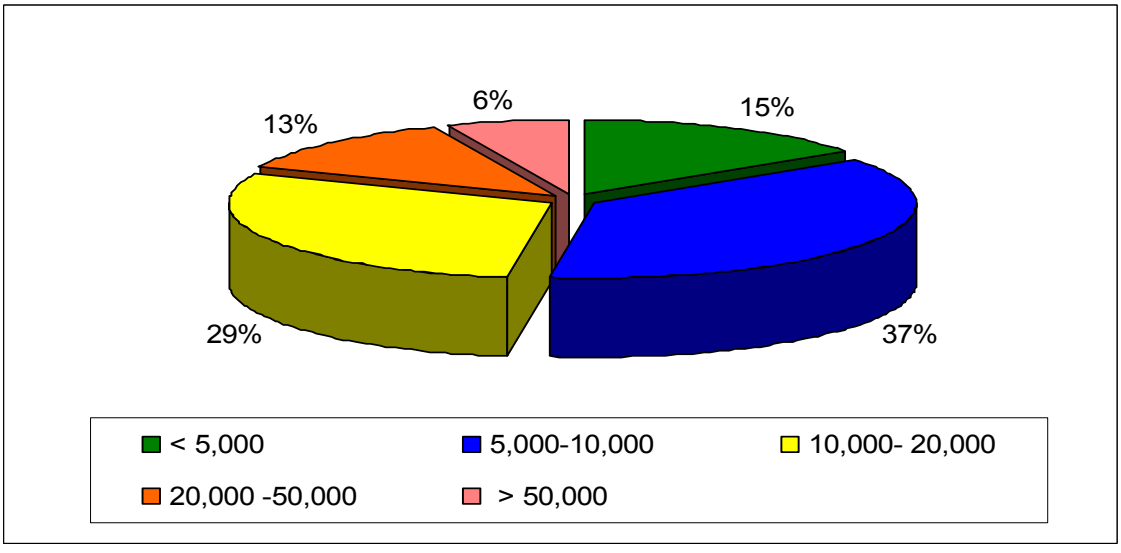
Regarding participant's by their occupation. Figure 9 illustrates that the majority of participants were either Government employees or private-sector employees; representing correspondingly 31% and 27% of the total sample. Entrepreneurs came next representing 17%. Students and other are represented 19% and 6% respectively.

Figure 9: Participants by Profession



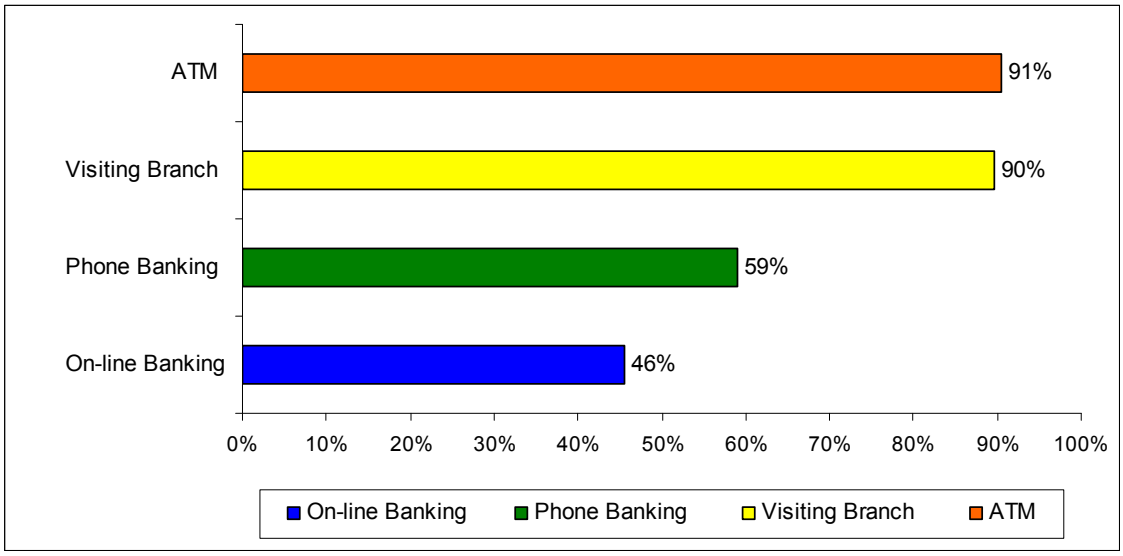
The next Figure 10 demonstrates participants by their monthly income. The second group (i.e. from SR 5,000-1,000) is considered as the average group. Accordingly, only 15% of the participants had below average income, whilst 37% were within this group and around 48% were above the population average.

Figure 10: 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 11 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 11: 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.

Questionnaire 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 2 revealed that the used instruments formed a cohesive scale; the test findings are demonstrated.

Table 2: SERVQUAL scale reliability analysis

		Reliability Coefficients (Alphas)	
SQ Dimension	Number of items	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 (.991), followed by Assurance (.859), Empathy, (.776) Responsiveness (.738) and Reliability (.723). Thus, the gathered data are consider 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).

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.

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.

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.

Dimension 1: Tangibles

Tangibles are about the appearance of physical facilities, equipment, personnel, and communication materials. Table 4, 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 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**

Dimension 2: Reliability

Reliability means the ability to perform the promised service dependably and accurately. Table 5, 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 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**

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.

Table 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**

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 7.

Table 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**

Dimension 5: Empathy

Empathy means caring and individualised attention to the customer. Table 8, 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 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**

Aggregate SQ Gaps of participated 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.

Aggregate gap size by dimensions

As illustrated in Table 9, 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 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**

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 10). 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 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

3.2 CASE STUDY 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 11). 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 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**

Profile of Participants

The distribution of the focus group participants and by professional status and work experience are presented in Figure 12 and Figure 13.

Figure 12: Distribution of focus group interviewee by professional status

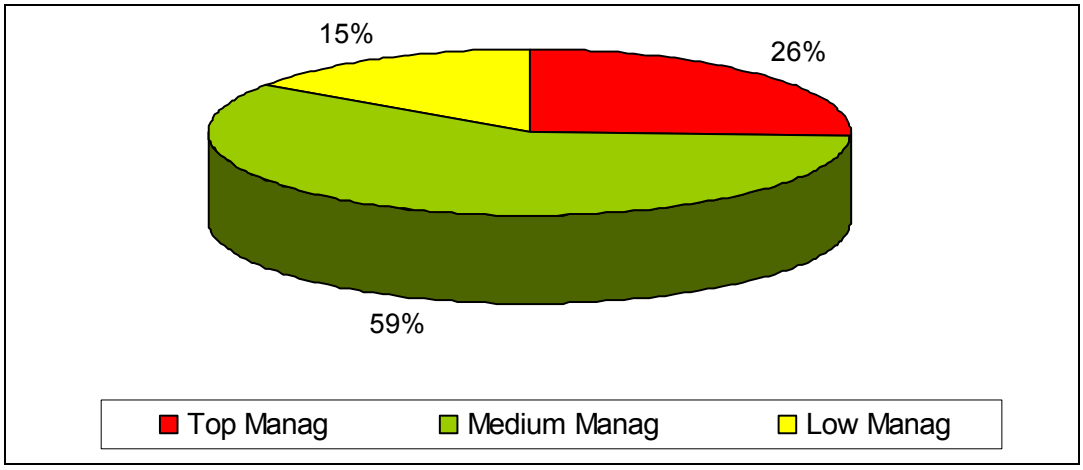
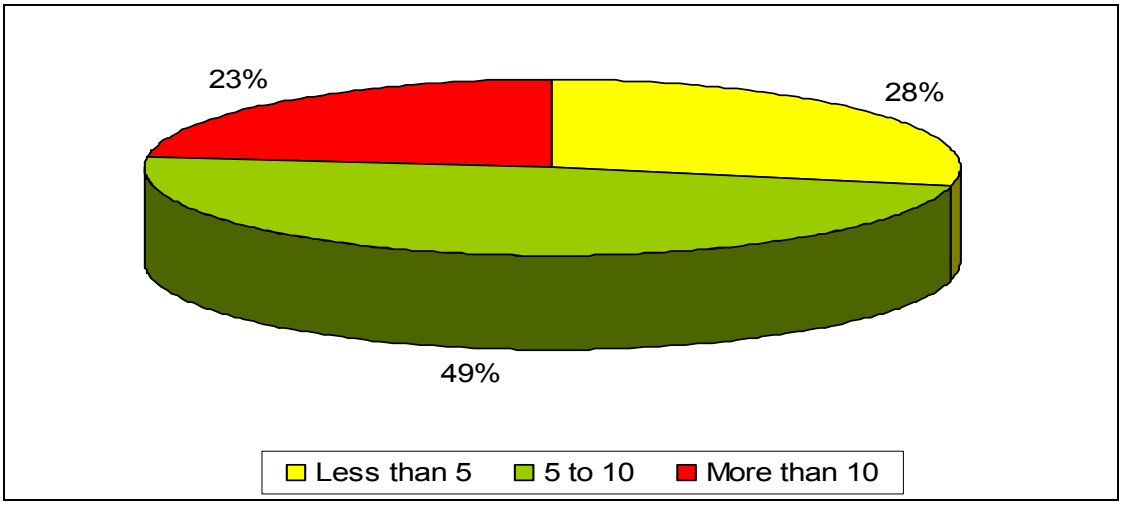


Figure 13: Participants' work experience in years



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 12).

Table 11: Size of the Focus Group

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

Reliability and Validity of the Case Study Approach

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.

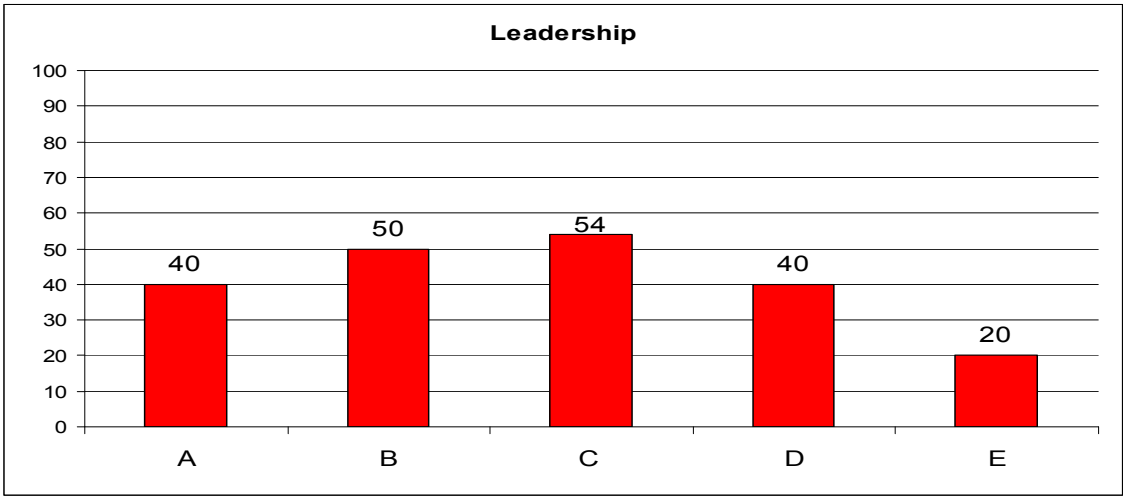
Banks' Assessment Scores by Criteria

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

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 14). Bank E was far away from the rest of the banks, scoring only 20 points.

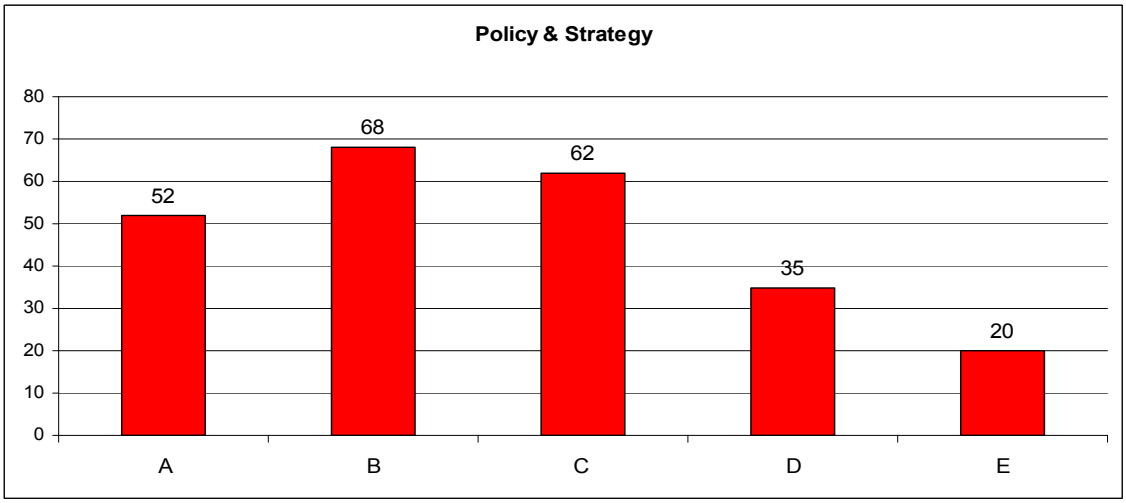
Figure 14: Banks' assessment scores for Leadership criterion



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 15).

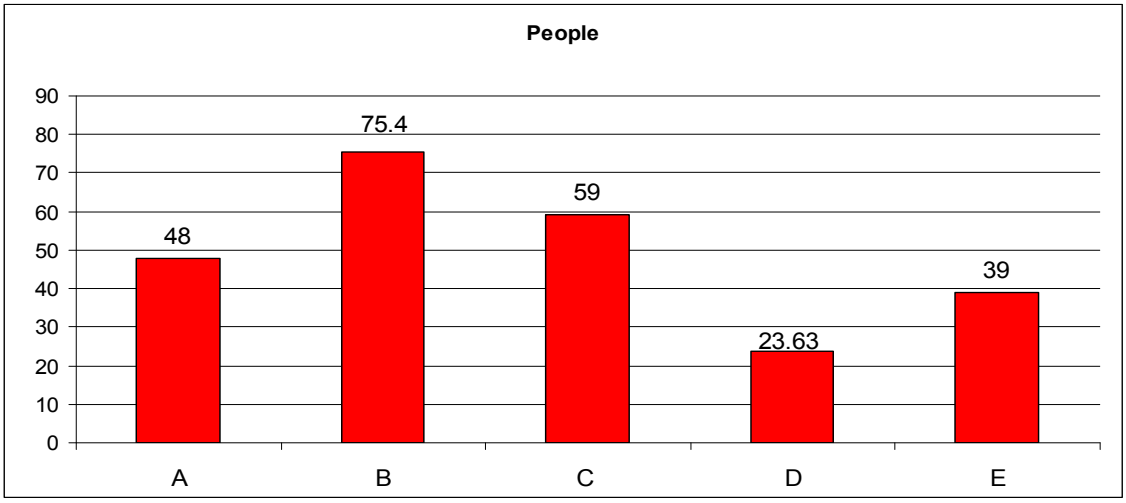
Figure 15: Banks' assessment scores for Policy and Strategy criterion



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 16).

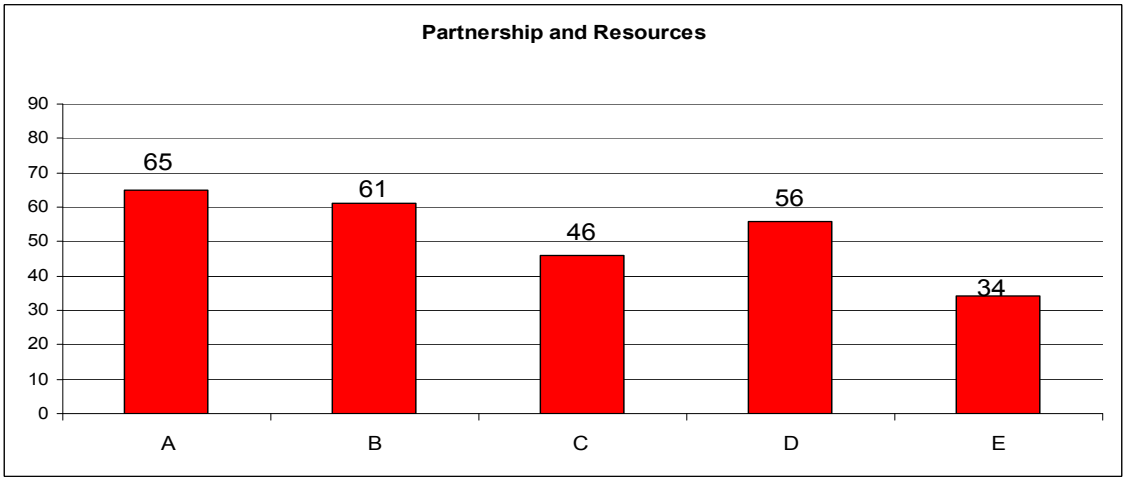
Figure 16: Banks' assessment scores for People criterion



Partnership and Resources

Figure 17, 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.

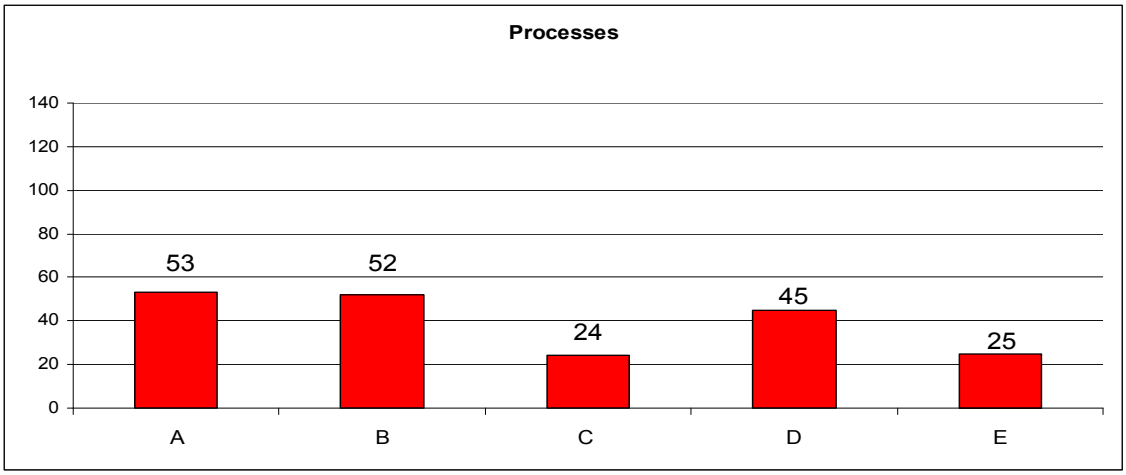
Figure 17: Banks' assessment scores for Partnership and Resources criterion



Processes

Clearly, Figurer 18 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.

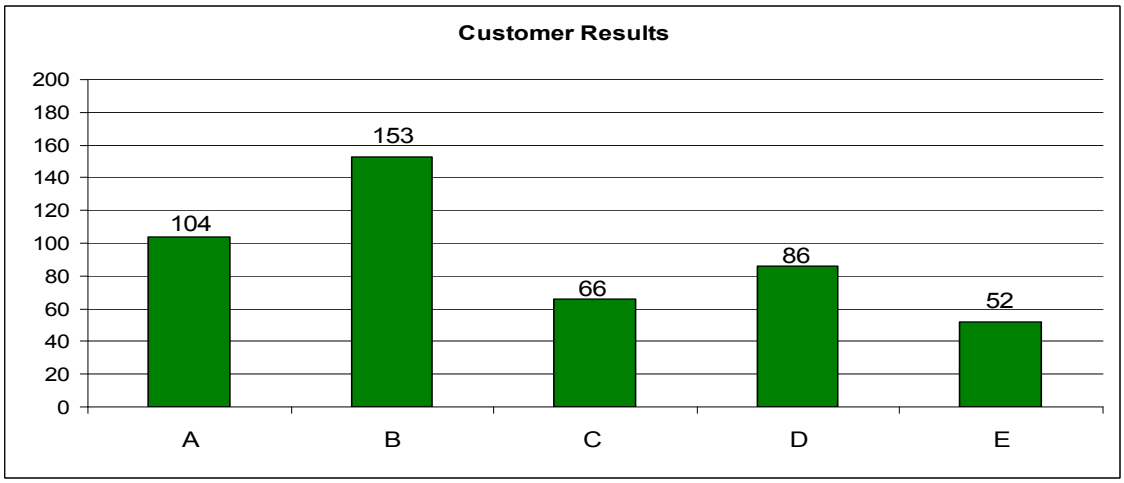
Figure 18: Banks' assessment scores for Processes criterion



Customer Results

Customers' results is the first Results criterion. Figure 19 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.

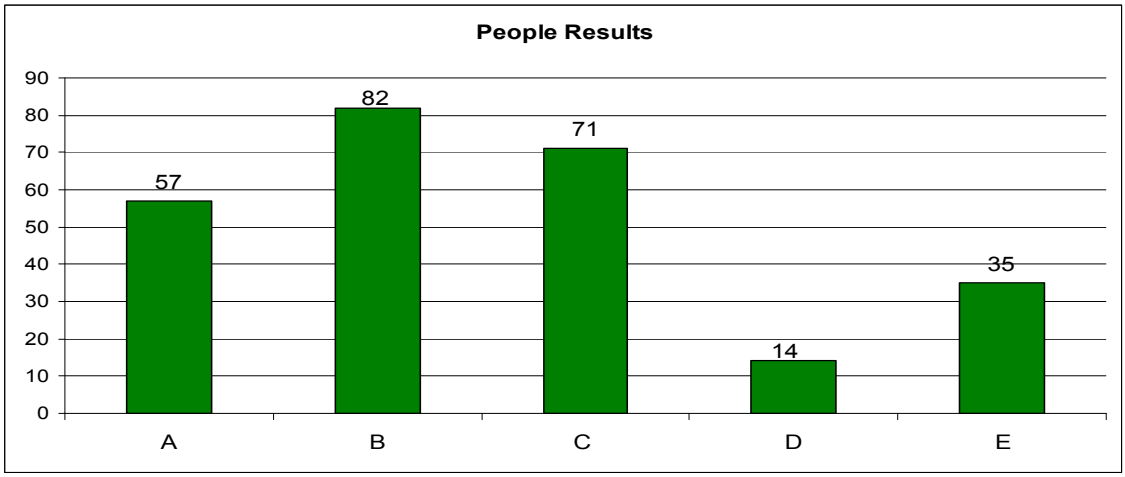
Figure 19: Banks' assessment scores for Processes criterion



People Results

Figure 20 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.

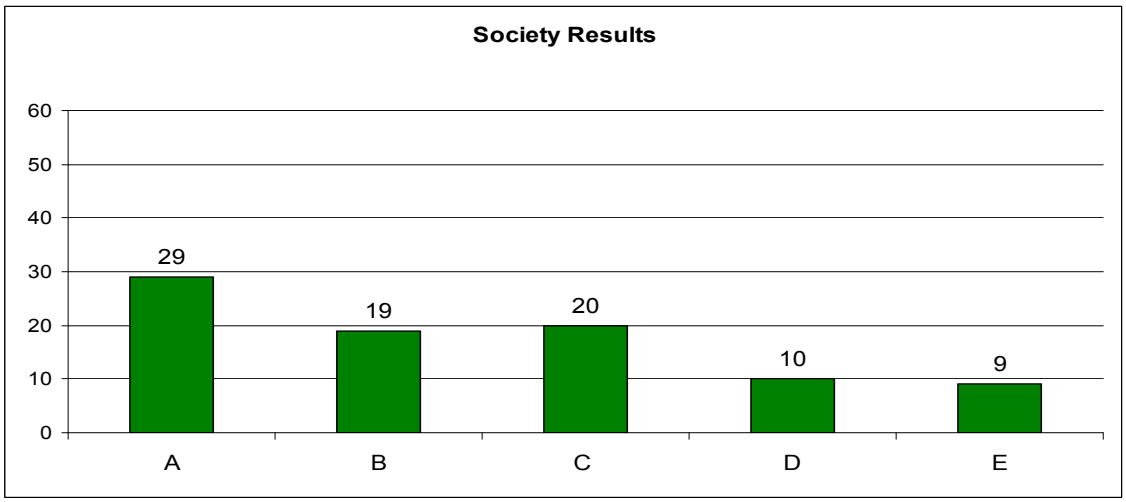
Figure 20: Banks' assessment scores for People Results criterion



Society Results

Figure 21 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.

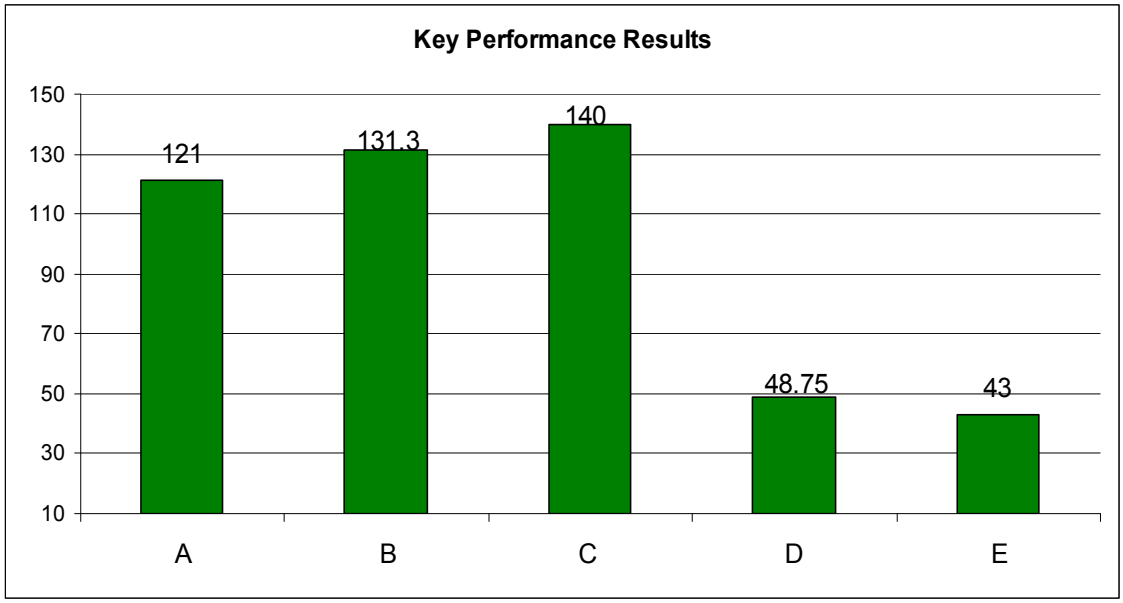
Figure 21 : Banks' assessment scores for Society Results criterion



Key Performance Results

The following figure 22 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.

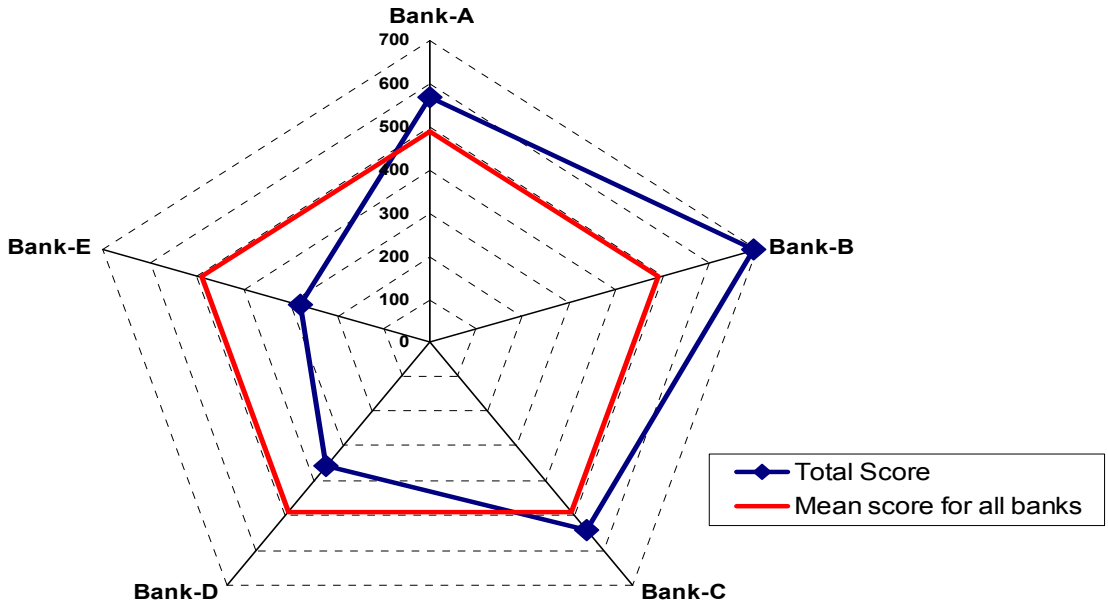
Figure 22 Banks' assessment scores for Key Performance Results criterion



Banks' Total Assessment Scores

Figure 23 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 23: Banks' total assessment scores



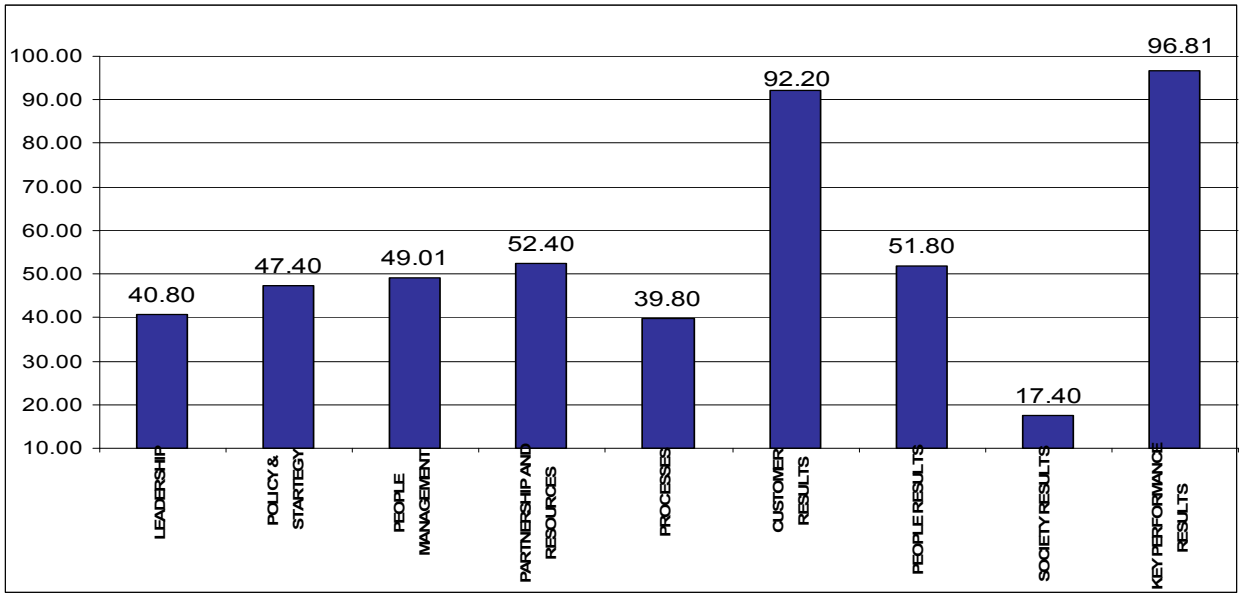
Benefits of Benchmarking

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.

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 24, presents the data.

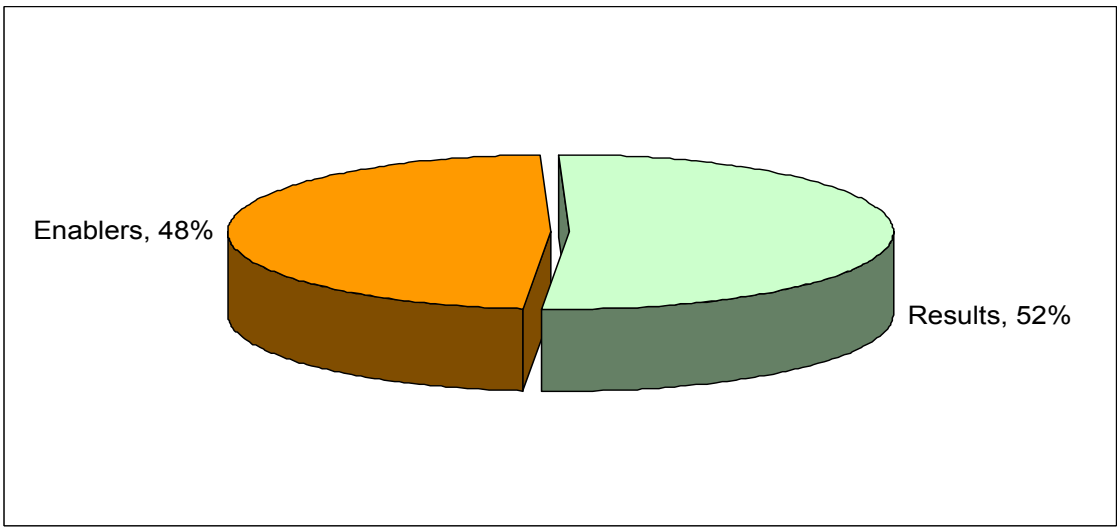
Figure 24: Aggregate score reported by participated banks



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 25).

Figure 25: 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 26).

Figure 26: EQA scores ratio on Enablers and Results criteria

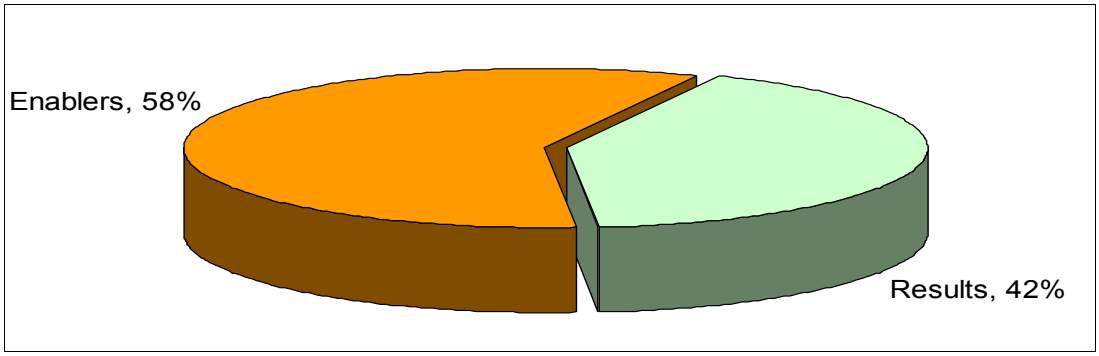
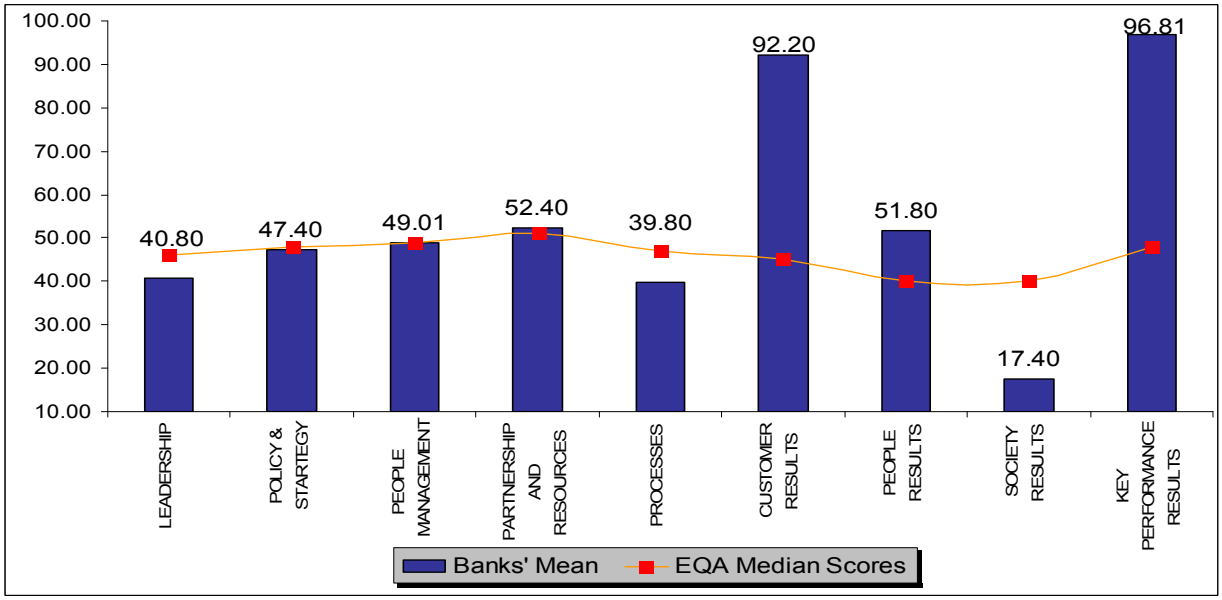


Figure 27 illustrates how the selected sample (i.e. the five Saudi banks) performed contrast to the available EQA benchmark data. The blue bars represent the mean of all five banks for each criterion, while the fluctuating red line signifies the EQA benchmarked data. Figure 27 figure provides a wider 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.

Benchmarking each criterion

Figure 27: 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.

Gap Analysis

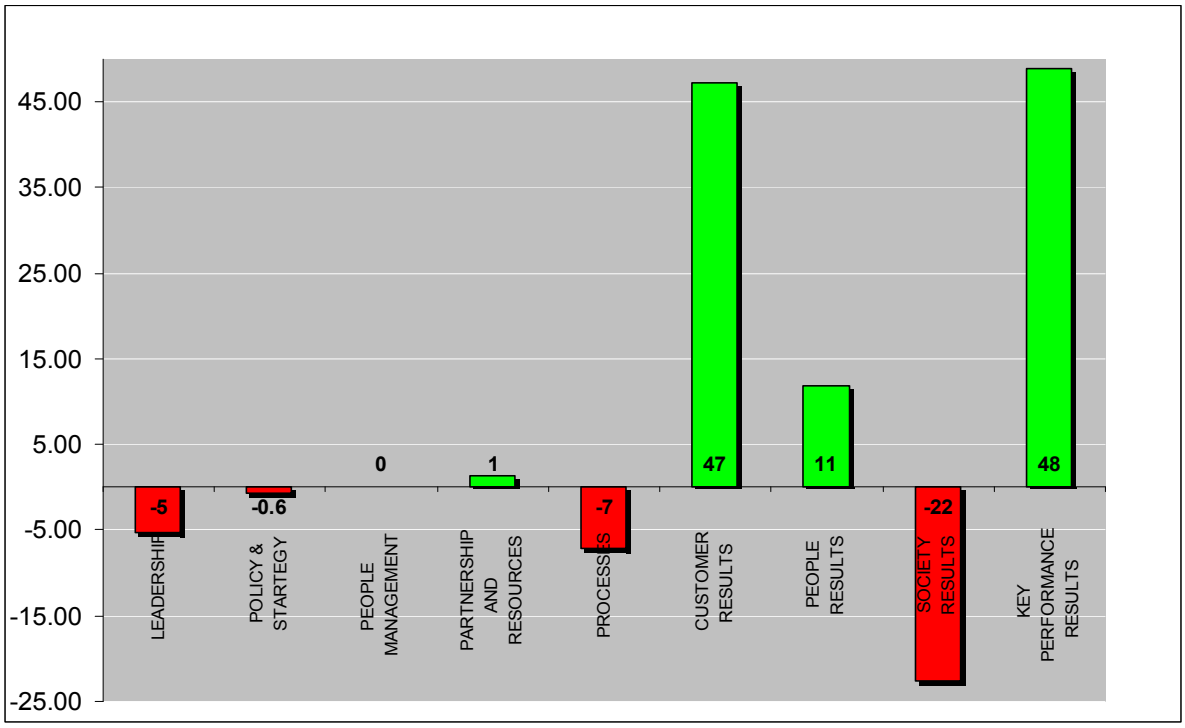
The next Table 13 illustrates the finding of a gap analyses conducted between the averages of the EQA against the mean of the five participated banks in all criteria. This test will clarify the aggregate banks' performance more accurately.

Table 12: Gap analysis

	Enablers					Results				
	LEADERSHIP	POLICY &STRATEGY	PEOPLE MANAGEMENT	PARTNERSHIP AND RESOURCES	PROCESSES	CUSTOMER RESULTS	PEOPLE RESULTS	SOCIETY RESULTS	KEY PERFORMANCE RESULTS	Total Score
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 (28).

Figure 28 :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 -.06. Meanwhile, the Partnership and Recourses 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.

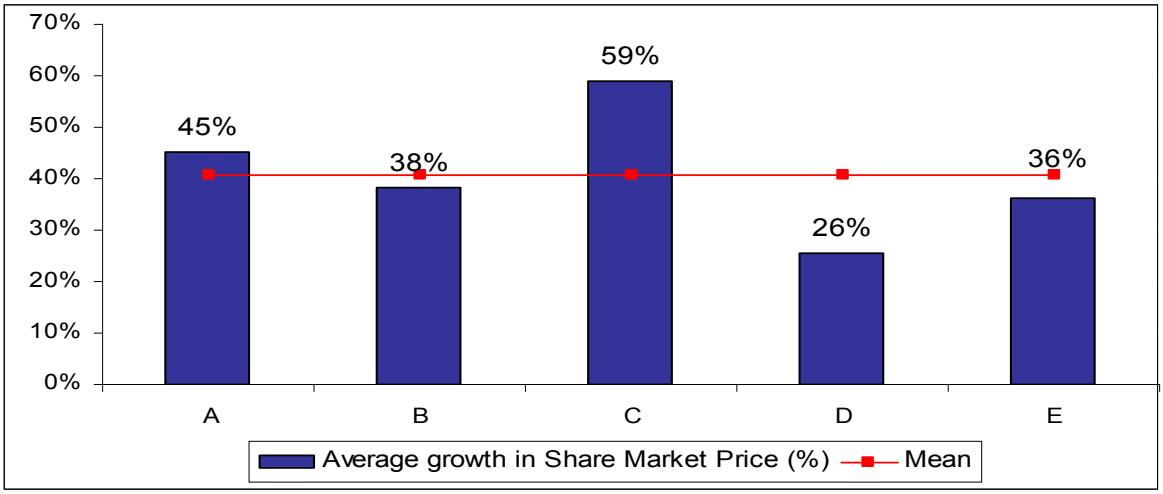
In contrast, the Gap analysis reveals that Results criteria reported healthier findings, with three positive gaps out of four. Moreover, positive gaps here are greater in terms of size compared to the gap size within the enabler's. The highest positive gap was scored by Key Performance Results (48.81), 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.

3.3 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 Shears, 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 29 Average annual growth of the banks' share prices



As illustrated above in Figure 29, 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 30: Average annual growth of the banks' Net Profit

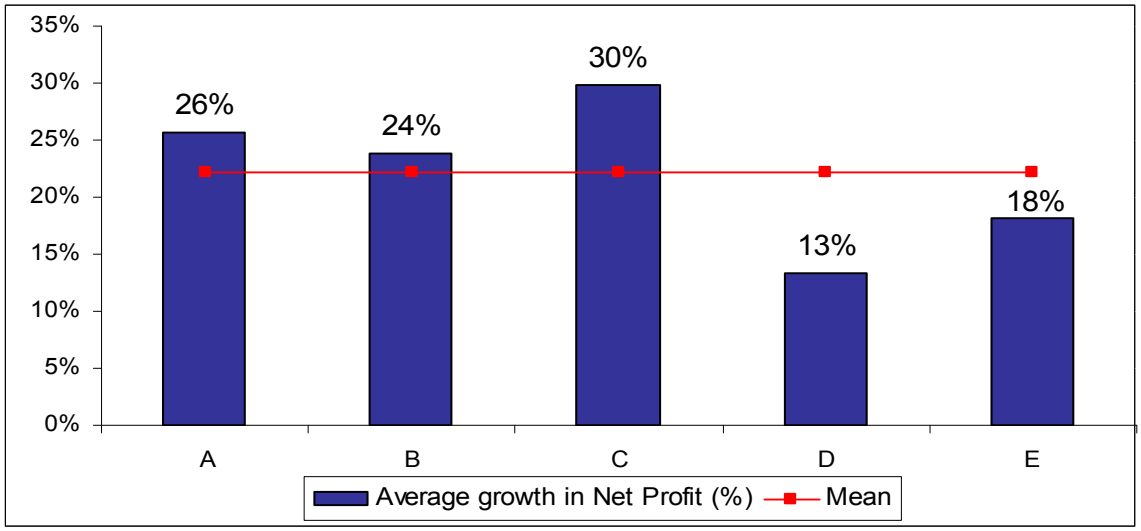


Figure 30 illustrates the average annual growth in Net Profits for the last six years. Banks A, B, and C were the best performing banks from this angle. They reported an average yearly growth of 26%, 24%, and 30% respectively. In contrast, both banks D and E performed less than the group average; their 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 31: Average annual growth of the banks' ROA

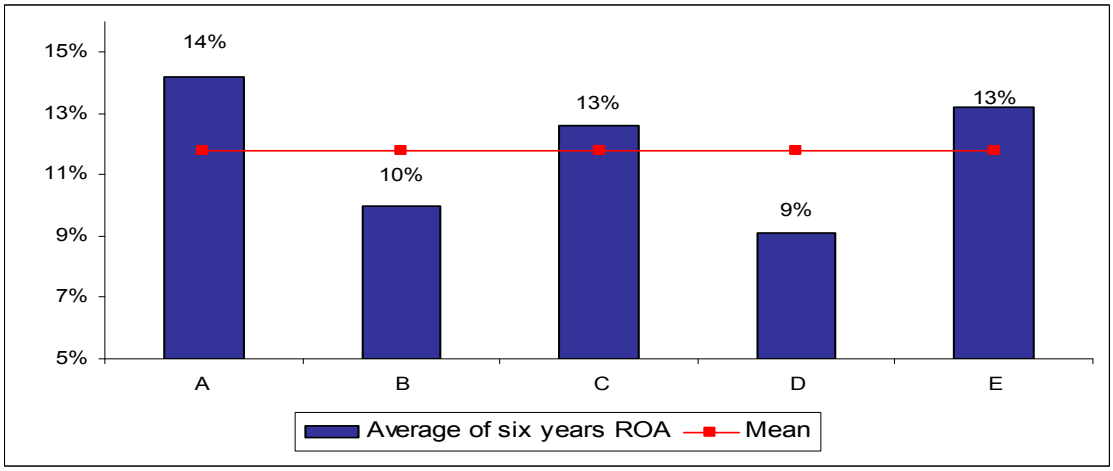
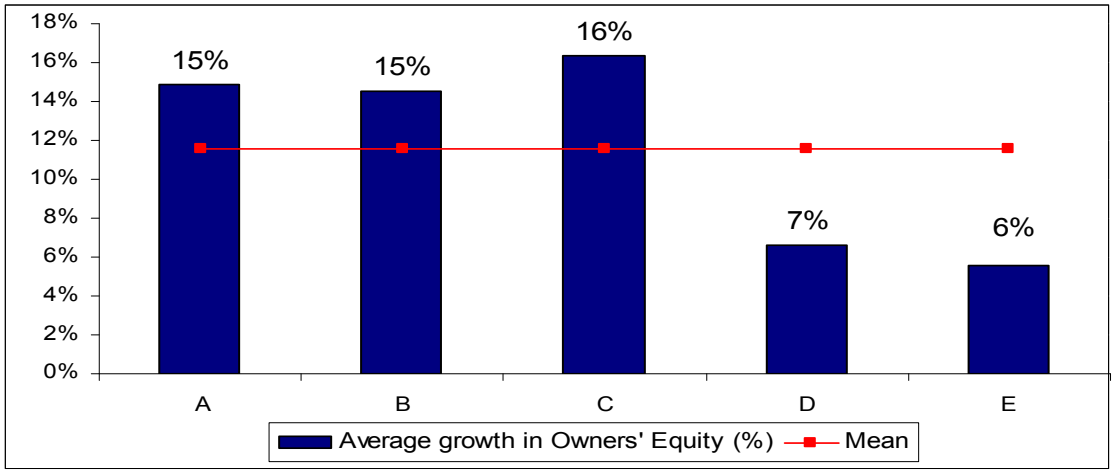


Figure 31 illustrates the position of the five banks according to this measure. Evidently, Bank A confirmed it's distinctiveness by reporting an average annual growth of ROA by 14%. Banks C and E came next each reporting a 13% level of growth. Banks B and D were the least successful concerning this indicator, 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 32:Average annual growth of the banks' Owners' Equity



The former Figure 32 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 33 Average annual growth of the banks' ROE

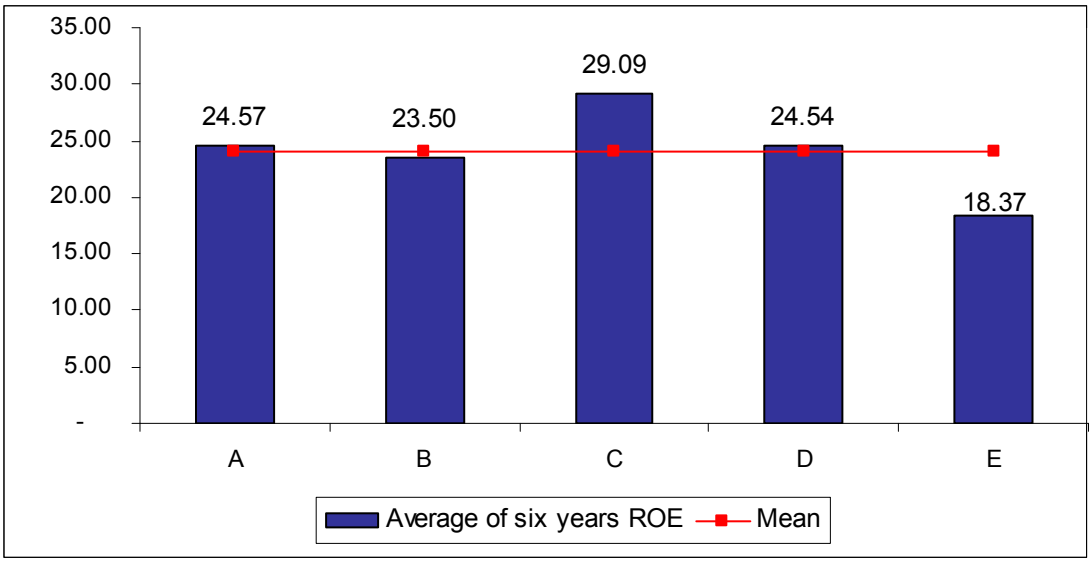


Figure 33 shows the leading position of bank C, since it reported the highest growth level, 29.09 %, making it the only bank that far exceeded the average growth level of 24%. Moreover the figure reveals the similarity between banks A, B, and D, which reported 24.57%, 23.50%, and 24.54% respectively, just meeting the average level. Bank E as usual was the weakest performing bank, with growth of only 18.37 on the ROE ratio.

3.4 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.

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 14.

Table 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 15. Afterwards, another Pearson Correlation Matrix was offered only between the main tested independent and dependent variables (see Table 15).

Table 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	KEY PERFORMANCE 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 16 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 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 16 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.

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). 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 17 shows that these independent factors (Enablers criteria) explained 53.1% of variance in Customers' perceptions.

Table 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 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 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 18 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.

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 19.

Table 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 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 20) 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.

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 21.

Table 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 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 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 22) 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.

3.5 QUALITATIVE DATA ANALYSIS

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.

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.

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. 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.

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, 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.

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.

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.

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 ccomprehensive 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.

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.

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.

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.

4. DISCUSSION AND CONCLUSION

This section provides a comprehensive discussion on the analysis of the results and findings of the quantitative and qualitative data presented in pervious section. In addition, this section provides comparisons and external validation by comparing with previous empirical studies regarding the EFQM excellence model and SERVQUAL in banking. The analysis of the collected data revealed several findings that are demonstrated in the following subsection.

4.1 MAIN RESEARCH FINDINGS

4.1.1 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.

a) 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 result section; 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 result section earlier is reproduced in Table 23. However, this time it is restricted to the Enablers criteria.

Table 22: 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 23 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.

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".

b) 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 24 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 23: 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".

c) 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 25.

Table 24: 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).

4.1.2 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).

4.1.3 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. 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, 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.

4.1.4 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 as demonstrated earlier in result section. 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)

4.1.5 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 result section. 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)

4.1.6 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 25: 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 26 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 data 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 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).

4.2 MAJOR CONTRIBUTIONS OF STUDY

This study 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.

a) 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.

b) 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.

c) 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.

4.3 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.

4.4 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.

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